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HYDRO-ELECTRIC INQUIRY COMMISSION

REPORT  
ON  
HISTORY AND GENERAL RELATIONS

W. D. GREGORY, CHAIRMAN  
M. J. HANEY  
LLOYD HARRIS  
J. ALLAN ROSS  
R. A. ROSS

COMMISSIONERS

JOSEPH H W. BOWER  
SECRETARY





















HYDRO-ELECTRIC INQUIRY COMMISSION

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HISTORY AND GENERAL RELATIONS

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to His Honour Judge Halliday,  
at the Court House,  
Toronto.  
Dear Sir,  
I have the honor to acknowledge the receipt of your letter of the 17th inst.  
and in reply to inform you that the same has been forwarded to the  
proper authorities for their consideration.  
I am, Sir, very respectfully,  
Yours,  
J. H. HALLIDAY

General Map  
Showing Location of  
Generating Stations, Transformer Stations and  
Transmission Lines  
of the  
Hydro-Electric Power Commission of Ontario

Enclosed for you are two copies of a map of the Province of Ontario  
showing the location of the generating stations, transformer stations and  
transmission lines of the Hydro-Electric Power Commission of Ontario.  
The map is a general map and does not show the details of the  
various projects and works which are being carried out by the  
Commission. It is intended to give a general idea of the  
distribution of the power resources of the Province and the  
general layout of the power system.



Howe-Baker Iron Company  
This map is printed on

Howe-Baker Iron Company  
This map is printed on

ECONOMICS of E.P.C. LAMBERT

GENERAL MAP

Showing Location of

GENERAL STATES (RAILROADS)

TRANSITION LINES

Made by

Wm. J. F. B. & Co.

GENERAL MAP  
Showing Location of  
GENERAL STATES (RAILROADS)  
TRANSITION LINES

COPY

Howe-Baker Iron Company





To His Honour Henry Cockshutt,

Lieutenant-Governor of the Province of Ontario.

May it Please Your Honour:

In pursuance of your instructions in the commission issued to us by Your Honour, we now respectfully present a report respecting the Hydro-Electric Power Commission of Ontario (hereinafter called "the Commission"), entitled, "History and General Relations".

The first part of this report - "History" - aims to tell in a concise form the story of the Hydro-Electric movement from its inception until the present time; the second part of the report - "General Relations" - describes in general terms present conditions as disclosed in detail in our individual system and railway reports and discusses the broad questions of relations between the Government, the Commission and the municipalities.

## H I S T O R Y

### Early History

The successful development and use of hydro-electric power on the American side of Niagara Falls, during the last decade of the nineteenth century, directed the attention of the people of Ontario to the Canadian waters as the potential



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2011-2012

The following information was obtained from the records of the  
Department of the Interior, Bureau of Land Management, during the last  
few years of the investigation, showing the extent of the  
land owned by the United States in the State of Nevada.



source of a large and cheap supply of energy for domestic and industrial use, and a substitute in part for the coal for which Ontario depends on the United States.

On the 25th of April, 1900, the Toronto Board of Trade appointed a committee with the late Mr. W. E. H. Massey as Chairman to consider the subject. This committee reported in part as follows: "Our hope for cheaper power is to bring the current from one of the great Niagara generating plants . . . . The Toronto Electric Light Company have signified their intention of bringing power from Niagara Falls, and the question arises whether or not Toronto, as a City, should control this proposed Niagara power connection." Interest in this subject

Interest in this subject rapidly became general throughout western Ontario, and, at the annual banquet of the Waterloo Board of Trade on the 11th of February, 1902, Mr. E. W. B. Snider suggested that a committee of representatives from Berlin, Waterloo, Guelph and Galt be formed to take up the question of bringing electrical power from Niagara Falls.

At a meeting of the Berlin Board of Trade held on the 8th of May, 1902, Mr. D. B. Detweiler made a similar proposal, but at least one of the members present expressed doubt of attaining the desired end because the Legislature had recently rejected a bill of the City of Toronto having a similar object in view. However, Messrs. Snider and Detweiler were appointed to prepare a resolution dealing with the matter. The power franchises then in existence had been granted by The Queen Victoria

... of a large and cheap supply of energy for domestic and industrial use, and a substitute in part for the coal for which Ontario depends on the United States.

On the 25th of April, 1900, the Toronto Board of Trade

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the following: "Our hope for cheaper power is to bring the

current from one of the great Niagara generating plants ... The

Niagara Electric Light Company have signified their intention of

extending their line to the city of Toronto, and the Ontario

Electric Power Commission, as a gift, should consider this proposal

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Niagara Falls Park Commission, one to the Canadian Niagara Power Company permitting the generation of 100,000 horse-power and one to The Ontario Power Company for 180,000 horse-power. Following the meeting at Berlin, a meeting of manufacturers of mid-western Ontario and representatives from Toronto, Galt, Guelph and other municipalities was arranged and held at Berlin on the 9th of June, 1902. Mr. C. H. Mitchell, C. E., Consulting Engineer of The Ontario Power Company, which was commencing development of its plant at Niagara Falls, was present, and stated at the meeting that power could be delivered to the manufacturing centres of mid-western Ontario at \$17.00 per horse-power per year.

Meanwhile, private interests were not inactive. By Order-in-Council, dated the 25th of January, 1903, Mr. Wm. Mackenzie of the Toronto Street Railway Company, Mr. Frederick Nicholls of the Toronto Electric Company and Lt.-Col. Pellatt were granted permission to establish a generating station at Niagara Falls with a capacity of 125,000 horse-power. This franchise was subsequently acquired by the Electrical Development Company.

Berlin Power Conference, February, 1903.

The Committee appointed at Berlin continued to gather data, and on the 17th of February, 1903, reported to a large and representative meeting held in Berlin. At this meeting the co-operation of municipalities became assured, a large committee was appointed to wait upon the Government and urge the appointment of a Government Commission to undertake the work of







transmitting electric energy to the several municipalities, or, if the Government declined to grant this request, to obtain permission for the municipalities to co-operate directly in the work. It was also decided to ask the Government to refrain from granting further power franchises at Niagara Falls to private individuals or companies. Mr. Adam Beck, at that time Mayor of London, was present at the meeting and took a prominent part in the proceedings.

The report of the proceedings of this conference as published in the "Toronto World" under date of February 18th, 1903, read in part as follows:

"As to the Government controlling power, no one would be better pleased to get it from the Government than we would. I may say too, that the Ontario Government should get it and the only expense should be what it cost the Government to give it to us. If the Ontario Government will not develop the power itself, it has no right to refuse us the permission to handle the power ourselves", said Mayor Beck who seemed to be vexed with the Government."

#### Act of 1903

In fulfilment of a promise given by Premier Ross on the 27th of February, 1903, to the deputation presenting the views of the Berlin Power Conference "an Act to provide for the construction of municipal power works and the transmission, distribution and supply of electrical and other power and energy," (1903, Chap. 25), was passed on the 12th of January of that year.

This Act authorized two or more municipalities to appoint a commission to determine the possibility and desirability of establishing municipal power, heat and light works. If, after





a report by a Commission, any proposed works were approved by the municipal electors, a Board of Commissioners was to be appointed by the Chief Justice of Ontario "on the application and nomination of the corporation or corporations interested". The Chief Justice was to determine the number of Commissioners, the corporate name of the Commission and the remuneration of the Commissioners. Wide authority was granted to such a Board to acquire and construct works for the generation, transmission and distribution of electrical energy. The cost of the undertaking was to be met by the issue of bonds by the Commission, secured by mortgage upon the works. It was expressly declared that nothing contained in the Act should affect any of the provisions contained in the so-called "Connree" clauses of the Municipal Act. (1903 Chap. 19, Section 566 Para. 4, (a) to (a9)). These clauses, in effect, required municipalities in which a private company operating gas, electric light or water works, was located, to purchase the works and franchises of such companies before entering upon any municipal scheme for the construction and operation of such public utilities.

No proceedings were taken by municipalities under the Act of 1903 beyond those taken in the appointment of the municipal commission, hereafter referred to. The Act, however, remained on the Statute books until 1914, when it was included in the schedule of Acts repealed by the Revised Statutes of that year.





Snider Municipal Commission 1903-6

As a result of meetings held in several municipalities, an agreement was reached between the municipal corporations of Toronto, Stratford, Brantford, Woodstock, Ingersoll, Shelph and London, whereby Messrs. H. W. B. Snider, St. Jacobs; Adam Beck, London; P. W. Ellis, Toronto; W. F. Cockshutt, Brantford; and H. A. Fessenden, Washington, D.C., a Canadian by birth and an eminent electrical engineer, were appointed Commissioners under the Act of 1903 to make an investigation on behalf of the various municipalities and to submit a report. Mr. Snider was chosen as Chairman of this Commission. Messrs. Ross & Holgate, Montreal, were appointed Consulting Engineers to the Commission. After nearly three years, the Commission presented an exhaustive report under date of March 28th, 1906, the engineering aspects of the problem being dealt with by Messrs. Ross & Holgate, Consulting Engineers.

Government Inquiry Commission 1905-6

In the meantime, a change of Government had taken place, Mr. Whitney succeeding the Honourable Mr. Ross as Premier of the Province of Ontario.

The Act of 1903 and the power policy of the Ross Government had been the subject of severe criticism during the heat of the general election campaign. It is not surprising, therefore, that the new administration took immediate steps to implement its election pledge of, to use the reputed words of the new Premier, "making the power of Niagara as free as air". To that

THE ELECTIONS COMMISSION

The Commission was established by the Federal Election Campaign Act of 1971, which amended the Federal Election Campaign Act of 1971, as amended, to provide for the establishment of a Commission to administer the Federal Election Campaign Act and to conduct investigations and hearings into alleged violations of the Act. The Commission is composed of five members, three of whom are appointed by the President and two by the Senate. The Commission is authorized to investigate and report on alleged violations of the Act, to conduct hearings, and to recommend penalties for violations. The Commission has held numerous hearings and has issued many reports. The Commission has also conducted extensive research into the financing of federal elections and has issued many reports on this subject. The Commission has been very active in its work and has made many contributions to the understanding of the Federal Election Campaign Act and to the administration of the Act.

THE ELECTIONS COMMISSION

In the meantime, a change of government had taken place. Mr. Wilentz succeeded the Honorable Mr. Nixon as President of the United States. The Commission continued its work under the new administration. The Commission has been very active in its work and has made many contributions to the understanding of the Federal Election Campaign Act and to the administration of the Act. The Commission has held numerous hearings and has issued many reports. The Commission has also conducted extensive research into the financing of federal elections and has issued many reports on this subject. The Commission has been very active in its work and has made many contributions to the understanding of the Federal Election Campaign Act and to the administration of the Act.



end, Mr. Adam Beck joined the administration as member without portfolio and, on the 5th day of July, 1905, a Commission of Inquiry was appointed by Order-in-Council, with the Honourable Adam Beck as Chairman and the late George Pattinson of Preston and P. W. Ellis of Toronto as Commissioners, to inquire into and recommend to the Government such legislation as they might deem necessary or advisable for the purpose of providing municipalities with electrical power at cost.

The appointment of the Government Commission had been foreshadowed by the Honourable Adam Beck in a speech in the Legislature in May, 1905, from which the following is quoted:

**COPY**

"The interest of the Government may be briefly stated. It is two-fold. It has, first, an interest in the water power resources of the Province as a source of revenue to the public treasury. It has also an interest in the commercial development of the Province, and ... a very great influence upon the commercial development of the Province will be exercised by the furnishing of cheap power. It is the duty of the Government to see that that development is not hindered by permitting a handful of people to enrich themselves out of these treasures at the expense of the general public ..... There is in these water powers a source ... of perpetual Provincial Revenue. The question is so large and the effects of a wise Government policy are so far-reaching that the most careful and exact inquiry should precede the announcement of any policy. Representative bodies and the newspaper press are all recognizing the great benefits that may accrue from a wisely administered system of public ownership; but the question is so vast that no Government can deal with it until it has had an opportunity of considering it in all its bearings. Governmental control is called for by some.... The policy of fixing prices at arbitrary figures which will not permit of a dividend upon the capital of the Company affected is one that is difficult to justify.





It may be that, after all, the best means of arriving at a satisfactory conclusion on these points will be to utilize the services of a number of competent gentlemen, who may be asked to inquire into the location, capacity and cost of development of the various power and electric railway companies, and the power possibilities of the future - in a word, to inquire into the whole question in all its bearings and to report fully thereon. This will, of course, include localities other than those subsidiary to Niagara Falls. Such a Commission should have the most extensive powers and upon their report the Government should be able to build up a policy which will commend itself to the people of the Province who are so vitally interested in the question, and I am in a position to state that such a course is now under the consideration of the Government."

On the 26th of January, 1906, an Order-in-Council was passed accepting the resignation of Mr. P. W. Ellis and appointing Mr. John Milne in his place. The same Order-in-Council greatly extended the scope of the inquiry and authorized the Commission to employ counsel, engineers, accountants and such other technical experts and other assistants as might be necessary, to fix the terms of remuneration to be paid, and generally to do all acts necessary or expedient. Under Mr. Cecil B. Smith, C. E., a staff of seven hydraulic and electrical engineers was engaged.

The work of the Snider Municipal Commission and that of the Government Inquiry Commission proceeded concurrently during the latter half of 1905 and the spring of 1906. Indeed, the Honourable Adam Beck served throughout as a member of both Commissions. The respective reports were presented to the Legislature in the spring of 1906 within two weeks of one another.

On the 10th of April, 1906, a deputation, representing





about seventy municipalities from Barrie to Kingston, waited upon Premier Whitney and members of his Cabinet, and urged action by the Government. The estimated cost of transmitting power was lower in the Report of the Government Inquiry Commission than in the Report of the Inner Municipal Commission, but the cost of generation was placed at a higher figure so that there was comparatively little difference between the total figures in the two Reports. The Premier, replying to the deputation, stated that many people in the Province were far away from Niagara Falls and the question would, therefore, have to be dealt with in the interests of the people as a whole. He said that he had taken the position that the Government should deliver the power or regulate the developing companies so that the consumer might get the power at the lowest rate, and that he could see no reason for receding from that position.

The Act of 1906 and

The Power Commission Act of 1907

On the 7th of May, 1906, "An Act to provide for the transmission of electrical power to municipalities", commonly known as "The Act of 1906" (1906, Chap. 15) was introduced by the Honourable Adam Beck, passed through its several stages without division of the House, and assented to by the Lieutenant-Governor on the 14th of May, 1906. This Act was one of the first Acts to be revised by the Commission appointed by the new administration to revise the Statutes of the Province and the Power Commission Act, 1907 (1907, Chap. 19) was substituted for it at the Session

[illegible]

On the 7th of May, 1861, the case was argued for the first time.

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held in that year. Briefly, the Act provided:

1. For the appointment by the Lieutenant-Governor in Council, of a Commission, to be known as the Hydro-Electric Power Commission of Ontario, consisting of three persons, one of whom should be and two of whom might be members of the Executive Council of Ontario.
2. Authority to the Commission to fix the selling price of electrical power, and, with the consent of the Crown, to expropriate privileges granted to private companies; authority to the Government to raise and advance funds to the Commission for the purpose of the Act, - the Commission to pay over to the provincial Treasurer, all sums received by it in form of revenues, etc.
3. That municipalities might enter into contracts with the Commission for supply of power; and that the municipalities would eventually bear all the cost of the works, pay 4% interest on the expenditures, provide a fund for the retirement of the securities at the end of thirty years, and contribute a sufficient fund to cover maintenance, renewing and insurance of the works serving them.
4. That the Commission might deal with complaints that excessive rates were being charged for power or that municipalities were discriminating in favour of certain manufacturers and might direct what rates were to be paid for power.
5. That no action should be brought against the Commission without the consent of the Attorney-General.
6. That the so-called "Conmee Clauses" of the Municipal Act (1903, C. 19; s. 566; par. 4. (a) to (a9)) should not apply to any municipal corporation under contract with the Commission.

The Commission appointed under the Act by an Order-in-Council passed on the 7th of June, 1906, consisted of the Honourable Adam Beck, Chairman, the Honourable John S. Hendrie and Mr. Cecil B. Smith, C. E. Mr. P. W. Bothman, C. E., was appointed by the Commission as Chief Engineer. In February, 1907,

and in that case, the law provides:

1. For the purpose of the Amendment-Governor is Council, of a Governor, to be known as the Governor-Governor Council of the State.

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Mr. Smith was succeeded as Commissioner by Mr. W. K. McNaught,  
M.P.P.

Meeting at Galt, July, 1906

Active steps were at once taken to give effect to the provisions of the Act, and on the 24th of July, 1906, a meeting of the "Western Ontario Power Organization" was held in Galt, representatives from about nineteen municipalities being present. The object of the meeting was to consider the new Act and with this in mind the Honourable Adam Beck and Mr. Cecil B. Smith, as Chairman and Chief Engineer, respectively, of the new Commission, were present and addressed the meeting.

The utterances of the Honourable Adam Beck at this meeting are of considerable importance and are quoted hereunder at some length as they appear in the pamphlet entitled: "The Proceedings of the Conference, Western Ontario Power Organization at Galt, July 24th, 1906":

"Mr. Beck- 'The Bills of 1903 and 1906 have repeatedly been compared. The difficulty we found in the old Bill was that we were operating under the Consee Bill. That was one of the objections. Of course, we had no power. We had power to acquire electricity for light and power purposes, but unless a company wished to supply it we could not get it; but under this Bill we have power of expropriation. Another feature lacking in the 1903 Bill was the requisite machinery. This independent Commission will deal and act for all municipalities jointly. The Province finances the undertaking. Of course, the Municipalities assume the liability, that is, they will be responsible in the contracts for the moneys advanced. Another feature is this: the municipality that assumes this debt is protected. The Commission controls the rates for power and light. That is an assurance to the rate-payer assuming the liability he does under this contract, that we will see the municipality charges a rate that will pay for the power, meet the

the report for the year 1903-1904 by Mr. W. H. H. H. H.

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interest on the money borrowed or invested, and provide a sufficient amount to create a sinking fund to retire the whole of the indebtedness in thirty years and a sufficient amount to pay the operating expenses.'

A delegate - 'Suppose the ratepayers had to be taxed directly for deficiencies?'

Mr. Beck - 'That is impossible under these conditions. Likewise if the rates are exorbitant it would at once bring the Commission into operation and they will fix a rate fair and just to the producer and consumer. Although assuming the responsibility it is in reality not a bond the municipalities may fear because there will be a revenue to pay for the outlay and a sinking fund. Of course, it is entirely in the hands of the people. It requires their vote to say whether you will undertake the liability. You get the benefit of the borrowing capacity of the Province, four per cent., which is about as low as can be got. The regulating of rates also prevents giving a large corporation a low rate and the small consumers a high rate which might be considered unfair.'

Proceeding, Mr. Beck cited the case of the City of Ottawa, where the long-standing dispute between the City and the Electric Light Company would be adjusted by the Commission under powers conferred on it by this Bill. The Bill will save a lot of litigation and trouble.

Mr. Beck- 'The first thing I fancy you would do you would pass a resolution and ask us for the price of power, etc. ask for particulars. When we have that we give you the estimated cost of power and of the expenditure necessary to bring it there. Then you would submit to the people. You would have to submit the contract too for them to approve of. We submit it to the Governor in Council and if he approves we go on and make the expenditure.'

A delegate- 'Supposing a municipality should proceed along the basis of cost as per report issued by the Commission and it was afterwards found that there was a mistake, that the cost was considerably more than had been supposed (as some say it will be), what then?'

Mr. Beck- 'I think we would have to appoint another Commission.'





Mr. Hughes, Waterloo- 'You spoke a little while ago in relation to the position of municipalities under the Conness Act?'

Mr. Beck- 'Yes'.

Mr. Hughes- 'What position do they occupy now? Say, the town of Waterloo; what position would we be in with regard to the plant Mr. Snider has there?'

Mr. Beck- 'You secure your contract, submit a by-law to the people. We put in the transformer station and the line for you. You have to distribute it. If there is an existing plant and they feel their interest will be affected, they will, I presume, offer their distributing plant. If not you will be able to go on and install your own plant.'

Mr. Hughes - 'They are not bound to purchase now?'

Mr. Beck - 'No, not bound. Why should you buy a plant that is obsolete when another order of affairs has come in. No doubt about it when a company sees you are going into the business and they have something valuable that will be valueless if you do, they will offer it. But you are not compelled to take it over.'

Mr. Hughes- 'Do I understand you to say that the present legislation will legislate the man's property right away from him; that the municipality can put in all sorts of plant and say to Mr. A. or B., take your old plant and do as you like with it?'

Mr. Beck- 'No.'

Mr. Hughes- 'Would it be right for the municipality of the Town of Waterloo to enter into competition with Mr. Snider? I don't believe the people of Waterloo would ever enter into any such low-down agreement.'

Mr. Beck- 'It would finally rest with the Commission to say whether the old plant should be acquired or a new one built. They would see that no injustice was done.'

At this meeting a reorganization was effected and the name "Western Ontario Municipal Niagara Power Union" adopted. A resolution was also passed which in short provided for the





co-operation of all municipalities represented at the meeting, in order to avail themselves of the benefits of the Act. It was also resolved that each municipality represented and others desiring to join the Union should furnish to the Commission such information as might be utilized in the preparation of power and cost estimates, and generally any information which would facilitate early action being taken under the provisions of the Act.

In January, 1907, by-laws were submitted to and approved by the electors in the municipalities of Toronto, Hamilton, London, Brantford, Guelph, Stratford, St. Thomas, Woodstock, Ingersoll, Berlin, Galt, Toronto Junction, Hespeler, St. Mary's, Preston, Paris, Waterloo, New Hamburg and Weston authorizing the Councils of these corporations to enter into contracts with the Commission for a supply of electrical power to be transmitted from Niagara Falls. Thereupon, the Commission, in August, 1907, entered into an agreement with The Ontario Power Company of Niagara Falls for a supply of power for the Commission. The reason for entering into this agreement was explained by the Commission, as follows:-

"The mandate of the people was strong enough to justify the Government in constructing works at the Falls, and obtaining the power absolutely at the first cost, but in view of the fact that there were already three companies with generating plants at this point having quantities of power available for sale, the Government, not desiring in any way to interfere unfairly with the companies already generating power, followed the business-like course of asking these companies to tender for the supply of power at a price which would amply protect their

co-operation of all municipalities in the area.

In order to avoid interference of the parties of the area.

was also received that each municipality represented and elected

representative to the local board of health.

Information as to the progress of the project.

and the results of the project.

Results of the project.

1907

In January, 1907, by-law were enacted to and

provisions for the election of the municipalities of the area.

Results of the project.

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bondholders and shareholders; the Government proposing for and on behalf of the municipalities to undertake the transmission of same to the different municipalities, who, in turn, will undertake to distribute it to their own citizens." (Pamphlet: "Genesis of the Power Movement" pp.13-14)

### The Validating Act of 1908

Criticism and litigation in respect of these by-laws and contracts led to an application to the Legislature for their confirmation, and in 1908 an Act was passed (1908, Chap. 22) which confirmed the municipal by-laws passed in January, 1907, heretofore referred to, authorizing the respective Councils to enter into contracts with the Commission; and certain money by-laws passed by these corporations for the issue of debentures to provide for the construction of local distribution plants; and the contracts between the Commission and The Ontario Power Company of Niagara Falls, set out in Schedule "A" of the Act. Section 4 of the same Act declared the form of contract between the Commission and the corporations set out in Schedule "B" a sufficient compliance with the provisions of the Acts of 1906 and 1907, and authorized municipalities to enter into contracts with the Commission in that form, or with such additions and alterations as might be approved by the Lieutenant-Governor in Council.

The application for and passage of this Act by the Legislature appears to mark the initiation of the practice since regularly followed by the Commission of taking such action as





it might deem necessary without regard to the legality or validity thereof in the confident expectation that such action would be approved and validated by the Legislature at the request of the Commission.

### The First Distribution of Power - 1910

The Commission at once proceeded to provide a supply of electrical power to the municipal corporations with which it had made contracts. On the 11th of October, 1910, a ceremony took place at Berlin (Kitchener), when, to quote the Toronto World: "Sir James Whitney pressed the button that will distribute power to a number of western towns, soon to be followed by many others, including Toronto". Since that date, the work and business of the Commission has regularly and rapidly increased and has now attained such proportions that the undertakings of the Hydro-Electric Power Commission of Ontario constitute one of the largest and most important enterprises in the Dominion.

### THE PERIOD OF EXPANSION

#### The Ottawa System

While the initiative which brought the Hydro movement into being in Ontario was the result of action on the part of mid-western municipalities after the passage of the Act in 1906, the City of Ottawa was the first to enter into a contract with the Commission. In July, 1907, the Commission began to supply





power to the City of Ottawa, purchasing the required energy from the Ottawa & Hull Power and Manufacturing Company.

### The Niagara System

Though by-laws of about twenty municipalities in western Ontario were passed in January, 1907, authorizing the execution of contracts with the Commission, the construction of the high tension transmission lines from Niagara Falls was not begun until the Power Commission Amendment Act was passed in 1909, and it was the 11th of October, 1910, before power distribution to the municipalities in mid-western Ontario commenced. The system then formed has had the largest growth of any, and now includes more than 125 municipalities, known as the Niagara System.

### The Severn System

In July, 1911, the Commission began to supply Midland and Penetanguishene with power purchased from a generating plant at Big Chute on the Severn River. The contract with these municipalities was the beginning of what is now the Severn System.

### The Bonnechere River Storage System

A year later, the Commission commenced the construction of a storage dam on the Bonnechere River to regulate the water supply for electrical development for the town of Kenfrew. The Commission's connection with water regulation on this river has continued and the undertaking is now known as the Bonnechere River Storage System.





The St. Lawrence System

About the same time, Prescott and Brockville arranged to take power, which was to be purchased by the Commission and transmitted to the municipalities. A number of other municipalities have followed the example of these towns and the group of municipalities and rural lines receiving power from the Commission in the district is known as the St. Lawrence System.

The Wasdell's System

Prior to 1914 the Commission purchased from private companies all power supplied by it to municipalities throughout the Province. It had not constructed any generating stations and had built only such **COPY** transmission lines and transformer stations as were necessary to deliver the power to the municipalities. In 1913, the Commission purchased the power site adjoining Wasdell's Falls on the Severn River and commenced the construction of its first generating plant, which was put in operation on October 6th, 1914. The territory served by it is known as the Wasdell's System.

The Eugenia System

On the 27th of October, 1913, the Commission contracted with the municipal corporation of Owen Sound for the supply of 1,200 horse-power and about the same time commenced the construction of a generating station at Eugenia Falls. This was put in operation on the 18th of November, 1915, and serves what is known as the Eugenia System.

THE POWER SYSTEM

The power system is a complex of interconnected parts which work together to produce and distribute energy. It is a system of interconnected parts which work together to produce and distribute energy. It is a system of interconnected parts which work together to produce and distribute energy.

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The Severn, Massey's and Ungemia Systems are now operated in parallel by tie lines connecting them, and are known as the Combined Northern Systems.

#### The Muskoka System

The Muskoka system was the next to enter the union following the purchase, by the Commission, of a small generating station at South Falls. Actual operation of this system was commenced on the 1st of November, 1915.

#### The Central Ontario System

In February, 1916, the Province of Ontario acquired by purchase the properties of the Electric Power Company, Limited, which now form the Central Ontario System. The details of the transaction are given in this Commission's report on the Central Ontario System. Subsequent to the acquisition of the system, the Commission was appointed manager of the properties for the Province. This action on the part of the Government was a decided departure from previous policies in respect to Hydro development, and placed the Commission in a capacity not contemplated under the provisions of the Power Commission Act.

#### The Purchase of The Ontario Power Company

Following the purchase by the Province of the Central Ontario System, the Commission brought to a close negotiations for the purchase of The Ontario Power Company of Niagara Falls, and in August, 1917, the Commission acquired the capital share stock of this Company which constituted another definite step in the work of the Commission. Shortly before the purchase,





the Power Commission Act had been amended to authorize the Commission to acquire the capital share stock of development, transmission or distribution companies.

#### The Essex System

Less than a year from the time The Ontario Power Company was purchased, a system of transmission lines and transformer stations in the County of Essex was purchased outright by the Commission. The municipalities on this system were not put on a power-at-cost basis, but became customers of the Commission at fixed rates. Aside from the purchase of the Central Ontario System by the Province, this was the first departure from the Power Commission Act so far as the sale of power to municipalities on other than a cost basis was concerned. The system is now known as the Essex System.

#### The Rideau System

In the same year, the Rideau System commenced operations. Pending the purchase of the High Falls site, power was obtained from a small generating plant located at Merrickville. The first unit of the development at High Falls was put into operation on the 1st of May, 1920.

#### The Thorold System

The acquisition of the Thorold system followed. On the 1st of December, 1918, the Commission purchased from James Battle a distribution system in the Town of Thorold. This system has many of the characteristics of the Essex System in that it was

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The first step in the process of the investigation was to determine the scope of the problem. This was done by reviewing the records of the system and by interviewing the personnel who were responsible for its operation. It was found that the problem was not limited to a single area, but that it was a system-wide problem.

### THE PROBLEM

It was found that the problem was a result of a number of factors. The first factor was the lack of proper training for the personnel who were responsible for the operation of the system. The second factor was the lack of proper maintenance of the system. The third factor was the lack of proper documentation of the system. The fourth factor was the lack of proper communication between the personnel who were responsible for the operation of the system and the personnel who were responsible for the maintenance of the system. The fifth factor was the lack of proper communication between the personnel who were responsible for the operation of the system and the personnel who were responsible for the documentation of the system. The sixth factor was the lack of proper communication between the personnel who were responsible for the operation of the system and the personnel who were responsible for the maintenance of the system and the personnel who were responsible for the documentation of the system.

### THE SOLUTION

In the first place, the personnel who were responsible for the operation of the system were given proper training. In the second place, the personnel who were responsible for the maintenance of the system were given proper training. In the third place, the personnel who were responsible for the documentation of the system were given proper training. In the fourth place, the personnel who were responsible for the operation of the system and the personnel who were responsible for the maintenance of the system and the personnel who were responsible for the documentation of the system were given proper communication.

### THE RESULTS

The results of the investigation were as follows. The first result was that the personnel who were responsible for the operation of the system were given proper training. The second result was that the personnel who were responsible for the maintenance of the system were given proper training. The third result was that the personnel who were responsible for the documentation of the system were given proper training. The fourth result was that the personnel who were responsible for the operation of the system and the personnel who were responsible for the maintenance of the system and the personnel who were responsible for the documentation of the system were given proper communication.



purchased outright by the Commission. The only municipality on the system, viz., the Town of Thorold, however, has been under contract to purchase power at cost since December, 1920.

#### The Thunder Bay System

As early as 1909, the Commission had entered into a contract with the Kaministiquia Power Company for the supply of power to the City of Port Arthur. In 1918, however, the Commission undertook the construction of the Cameron Falls development and contracts for a supply of power from this source were made with Port William and Port Arthur. The system serving this territory is known as the Thunder Bay system.

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#### The Sandwich, Windsor & Amherstburg Railway

Up to this time, the Commission's activities had been entirely confined to the supplying of electrical energy purchased or developed by it, to municipalities. In the meantime, however, the Hydro-Electric Railway Act had been passed in 1914, and under the authority conferred by that Act, and amendments thereto, the Sandwich, Windsor & Amherstburg Railway was purchased in April, 1920. The Railway has been entirely rehabilitated and extended and is now operated by the Commission.

#### The Guelph Radial Railway

Under the authority of the Guelph Railway Act, the Guelph Radial Railway was purchased by the Commission in May, 1921. This railway is also being operated, after extensive rehabilitation, by the Commission.





The Commission and Radial Railways

With the passage of the Hydro-Electric Radial Railway Act in 1914, the Commission became actively interested in the promotion of a network of radial railways throughout the western part of the Province. While a considerable sum was expended in the purchase of right-of-way and equipment, the preliminary location of lines and the preparation of data, the undertakings as a whole have never been constructed.

The Queenston-Chippawa Development

Under the terms of the Ontario Niagara Development Acts of 1916 and 1917, the Commission prepared plans and estimates for the construction of the Queenston-Chippawa Power Development. The first estimates called for a development having a maximum capacity of 100,000 horse-power. As the demands of the Niagara System grew during the latter half of the war period and The Ontario Power Company was acquired by the Commission thus giving it control of a greater supply of water, plans were altered and the capacity of the development was increased so that its output under operating conditions with units installed to the full capacity of the canal will be, according to the estimates submitted to us, 550,000 horse-power. The first unit was put into operation in December, 1921, and at the present time five units have been completely installed. The total expenditure in respect of this undertaking, according to the last estimates prepared by the engineers of the Commission, will be \$82,483,914.00.

The "Clean-up Deal"

After a considerable period of negotiation, under the





terms of what is popularly known as the "Clean-up Deal", the Commission in the year 1922 acquired various properties owned or controlled by the Toronto Power Company. Of the properties so acquired the Electrical Development Company and the high tension transmission lines to Toronto will be used to serve the Niagara System.

The consummation of the "Clean-up Deal" in 1922, whereby the Commission acquired the franchise rights of the Electrical Development Company, following the purchase of The Ontario Power Company in 1917 and the authorization of the Queenston-Chippawa Power Development, secured to the Commission a virtual monopoly of the Canadian waters of the Niagara River available for the development of electric energy, subject only to the rights of the Canadian Niagara Power Company, and the International Railway Company.

#### PRESENT CONDITIONS

##### Personnel of Commission

Before proceeding with a discussion of "Present Conditions", it would seem proper to briefly record the changes in the personnel of the Hydro-Electric Power Commission since its inception.

It has already been noted that the Honourable Adam Beck, the Honourable John S. Hendrie and Mr. Cecil B. Smith, C. E., comprised the original Board appointed in June, 1906, and that Mr. W. K. McNaught, M.P.P., succeeded Mr. Smith in February, 1907.

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The Honourable (now Sir) Adam Beck has held the appointment as Chairman of the Commission continuously since 1906.

The Honourable John S. Hendrie resigned in 1911, and was succeeded in 1914 by the Honourable I. B. Lucas, who, in turn, was succeeded in 1921 by Mr. Fred. B. Miller of Toronto. The latter died in 1923, after holding office for only one year, and the vacancy was not filled until the appointment of Mr. George Ramsden of Toronto in April, 1923.

Mr. W. K. McNaught, M.P.P., held office until his death in February, 1919. In November, 1919, his place on the Board was taken by Honourable Colonel D. Carmichael, D.S.O., M.C., M.P.P.

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The present Administration took office in July of this year. The resignations of Colonel Carmichael and Mr. Ramsden were accepted and Mr. J. B. Cooke, M.P.P., was appointed to fill one of the vacancies. The appointment of the third Commissioner has not yet been made.

The Power Commission Act provides that one of the members of the Commission must be and two may be members of the Government. In contemplation of a discussion of the relations between the Legislature, the Government and the Commission, the following list of members of the Commission shows what members of the Commission from time to time have been members of the Legislature and of the Government:





Table Showing Period During Which Members of  
the Hydro-Electric Power Commission were  
(a) Members of the Legislative Assembly, and  
(b) Members of the Government

Name of Commissioner	Member of H. B. P. C.		Member of Legislative Assembly		Member of Executive Council	
	From	To	From	To	From	To
Sir Adam Beck	7/6/06	Date	1906	1919	1906	1914
			1923		1923	
Sir John Hendrie	7/6/06	9/10/14	1902	1914		1914
Cecil B. Smith	7/6/06	28/2/07				
W. K. McNaught	28/2/07	28/2/19	1906	1915		
Hon. I. B. Lucas	9/10/14	1/8/21	1898	1919	1909	1919
Fred. R. Miller	12/7/21	31/8/22				
J. G. Ramsden	12/1/23	24/7/23				
Col. E. Carmichael	20/11/19	28/6/23	1919	1923	1919	1923
J. R. Cooke	24/7/23		1911		1923	

#### Undertakings of the Commission

On pages 28, 29, 30 and 31 of this report will be found a graphic representation of the properties which at the present time are held in trust for the municipalities, those which the Commission own outright, and the property known as the Central Ontario system, which is owned by the Government. It is to be noted that page 28 gives the broad sub-division of the property into the classification given above, while pages 29, 30 and 31

[illegible][illegible]

the property is owned by the Government. It is to be



subdivide the undertakings into their various constituent parts. The dates given in the diagram indicate the years in which the undertakings came under the control of the Commission. It will be seen from the foregoing that the growth of the activities of the Commission has been rapid and widespread.

### Peak Power Loads

Page 33 shows a graphic representation of the growth of the peak loads of electrical horse-power controlled by the Commission. From this it will be noted that the maximum peak load demand on the undertakings of the Commission had grown to about 640,000 electrical horse-power during the year 1922.

**COPY**

### Location of Stations, Lines, etc.

The frontispiece of this report is a general map of the Province of Ontario showing the location of generating stations, transforming stations and transmission lines, with the various power systems administered by the Commission outlined in red. The map shows that service by the Commission reaches almost all parts of the more thickly populated districts in Ontario.

### Ontario and Quebec Compared

In view of the wide publicity given to the work of the Commission, it is not surprising that there exists the popular belief that practically all hydro-electric development in the Province is controlled by the Commission. On page 35 of this report is a diagram showing the total hydraulic installation in the Province for generating electrical energy. It will be noted

...the Commission has been ...  
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Section 1

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Section 2

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Section 3

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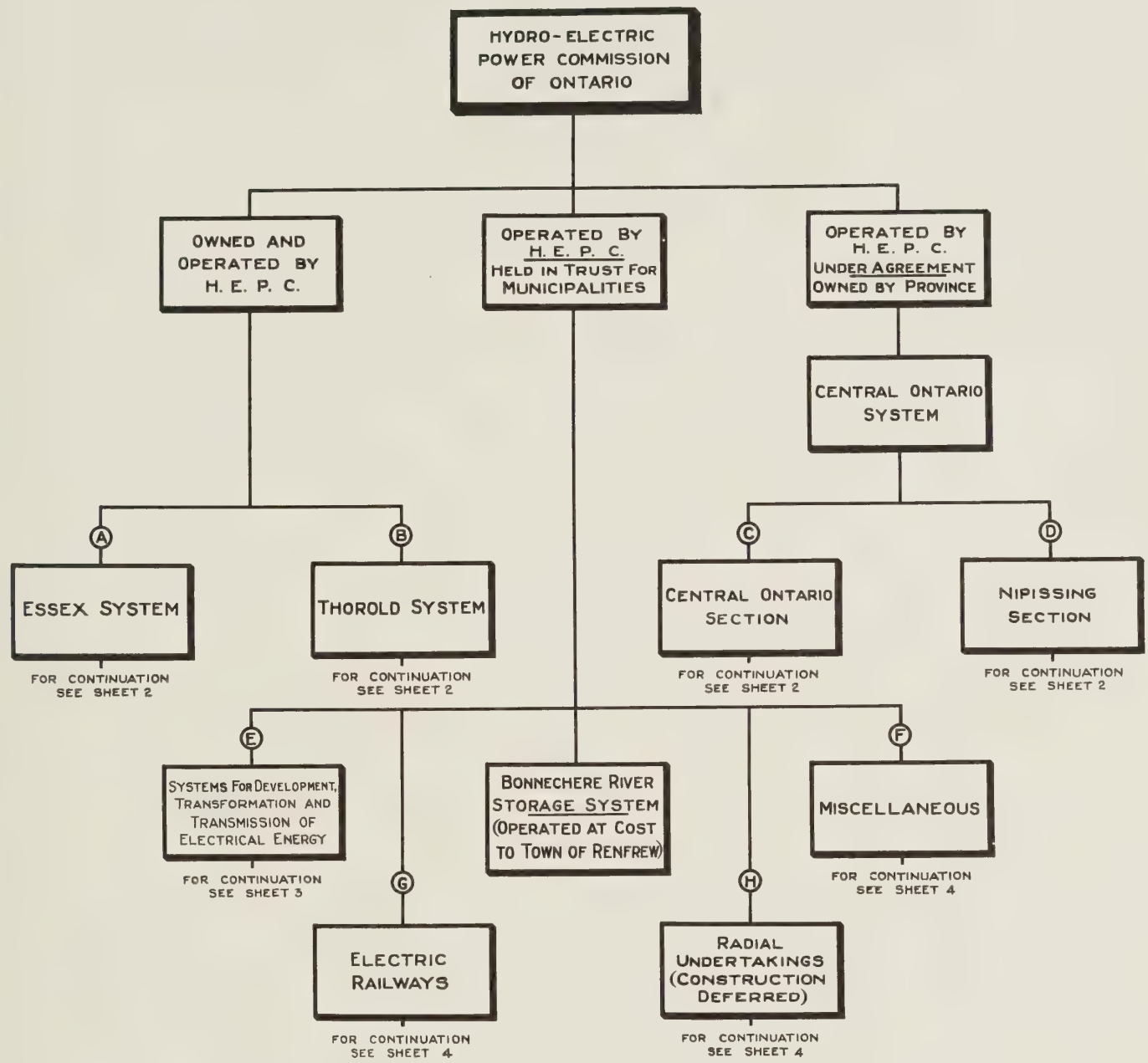
that in 1905, about six years before the Commission came into active operation, there was about 125,000 horse-power developed in the Province, and by the time the Commission actually began to function in 1911, the installed capacity had grown to about 625,000 horse-power. The growth during this period was entirely due to investment in such undertakings by private companies. While the growth of the Commission's activities since 1911 has been very rapid, the peak load of approximately 640,000 electrical horse-power, sold by the Commission in 1922, represented only one-half of the total installed capacity in the Province. Thus it will be seen that the power sold by the Commission represents only about 50% of the total installed capacity of the combined public utilities and privately-owned enterprises in the Province of Ontario today.

In comparing conditions here with those in the Province of Quebec, it is interesting to note the graphic representation of hydraulic installation in that Province. By reference to page 36 of this report it will be seen that in the year 1905, the Province of Quebec had an installed capacity of about 200,000 horse-power, and that this amount has increased year by year to 1,090,000 horse-power at the end of the year 1922. It is well known that practically all electrical energy developed in the Province of Quebec is the result of private enterprise.

While it is seen that the total capacity in Quebec is about 210,000 horse-power less than that in Ontario, comparison of the amounts on the basis of population shows that in Ontario the ratio





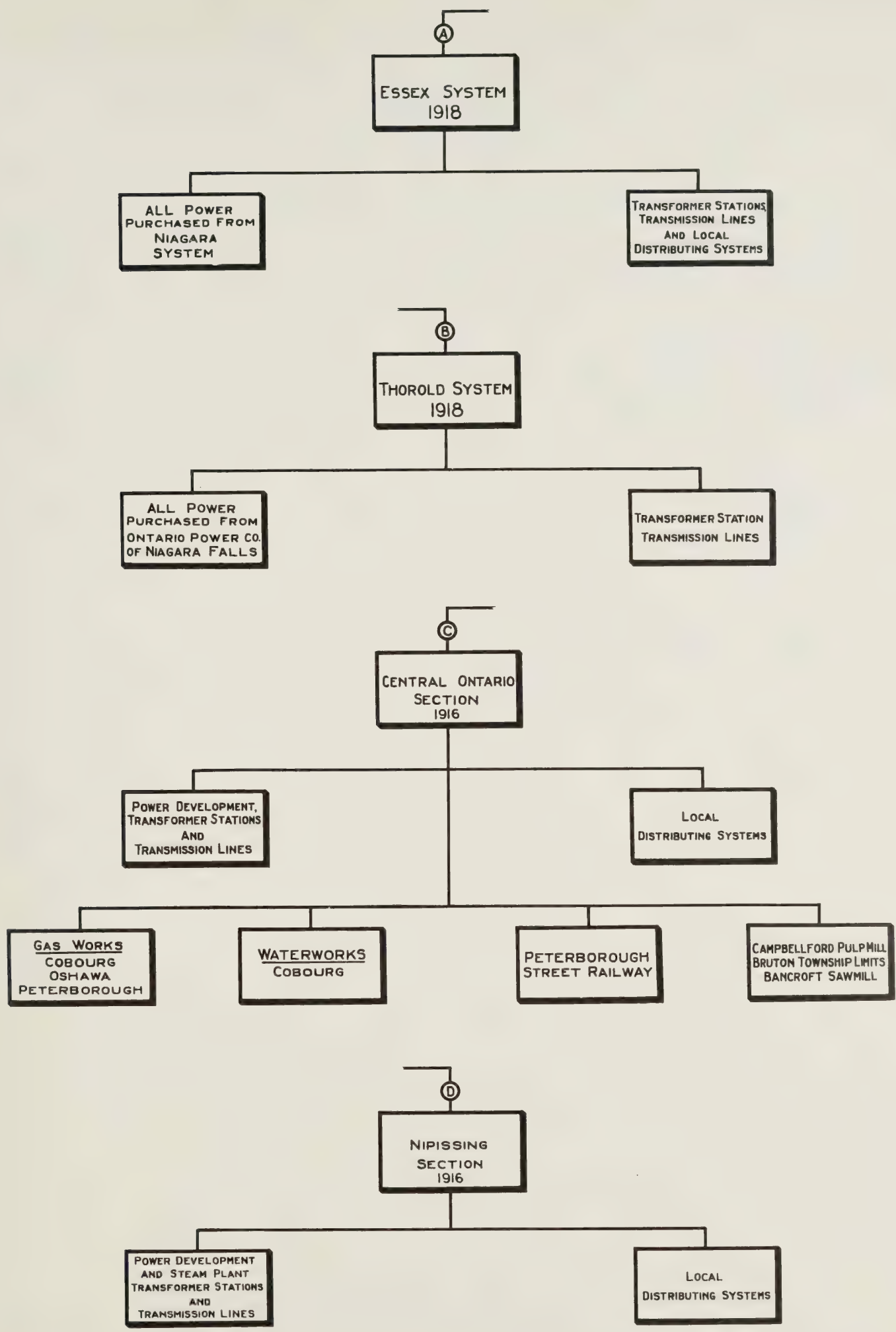


HYDRO-ELECTRIC INQUIRY COMMISSION  
CHART SHOWING UNDERTAKINGS  
OF THE  
HYDRO-ELECTRIC POWER COMMISSION  
OF ONTARIO  
November 11th., 1922  
SHEET 1 OF A SERIES OF 4 SHEETS

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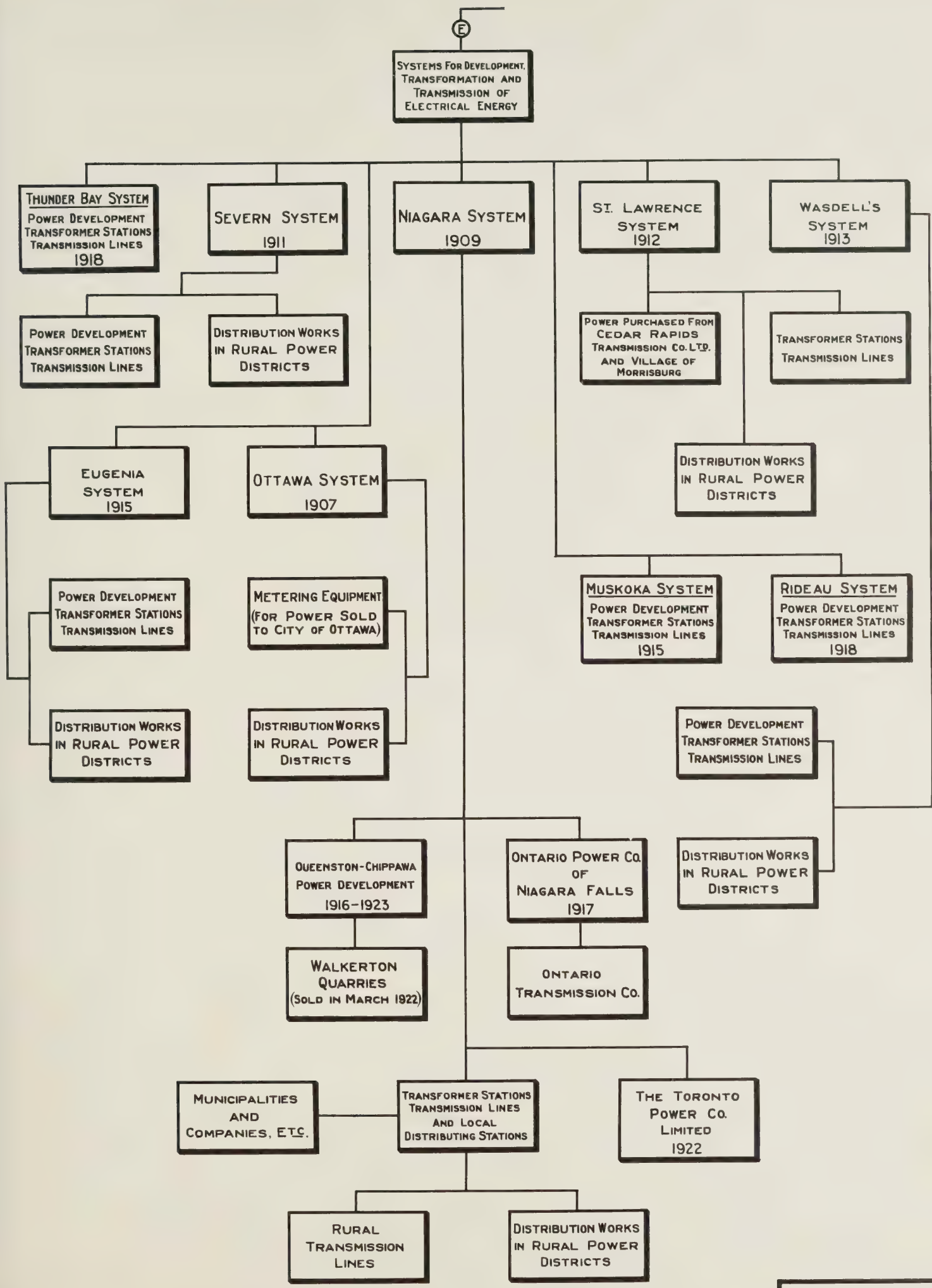






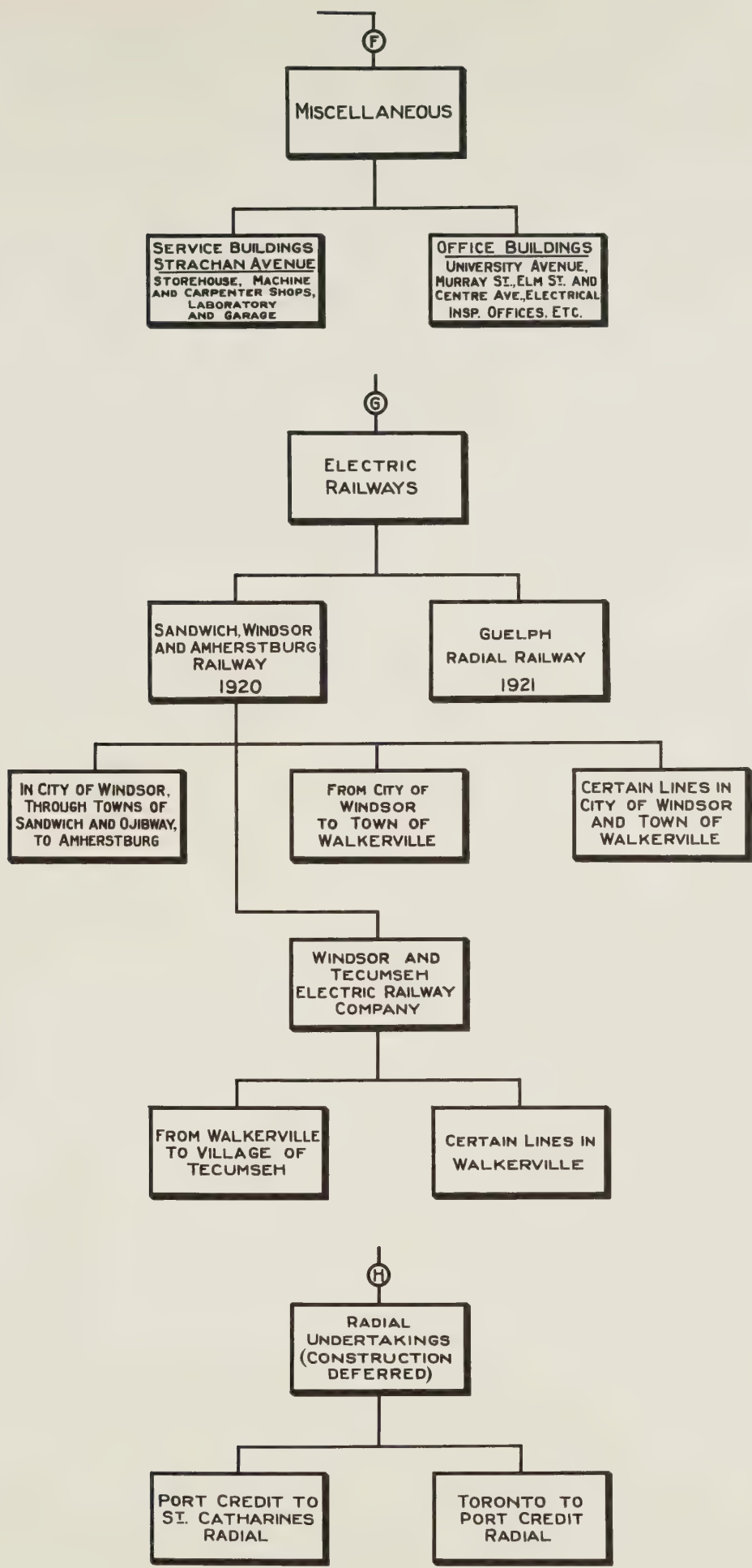
















per person is about 0.44 horse-power and that in the Province of Quebec the figures are practically the same. According to the comparison given, therefore, the rate of development in both Provinces is identical.

### Capital Investment

The rapid expansion in the scope of the undertakings of the Commission may also be clearly viewed by considering the expenditures that have been made, and the obligations that have been assumed by the Commission since the commencement of operations. On page 37 of this report the total obligations of the Province in respect of Hydro-Electric Power Commission enterprise is shown in comparison with the total debt of the Province. In reference to this diagram it may be noted that the growth of expenditures by the Commission, including the purchase of the Central Ontario properties by the Province, has been at a rate almost identical with the growth in the total Provincial liabilities. While the financial relations between the Commission and its undertakings with the Government are discussed in greater detail in the following pages of this report, it is of interest to note that the total liabilities of the Province at the present time amount to approximately \$288,000,000 and of this sum \$160,000,000 represents power undertakings and radial railways, all of which are controlled by the Commission with the exception of the Central Ontario System which is owned outright by the Province and managed by the Commission. On page 38 of this report is a chart showing total Provincial liabilities compared with those

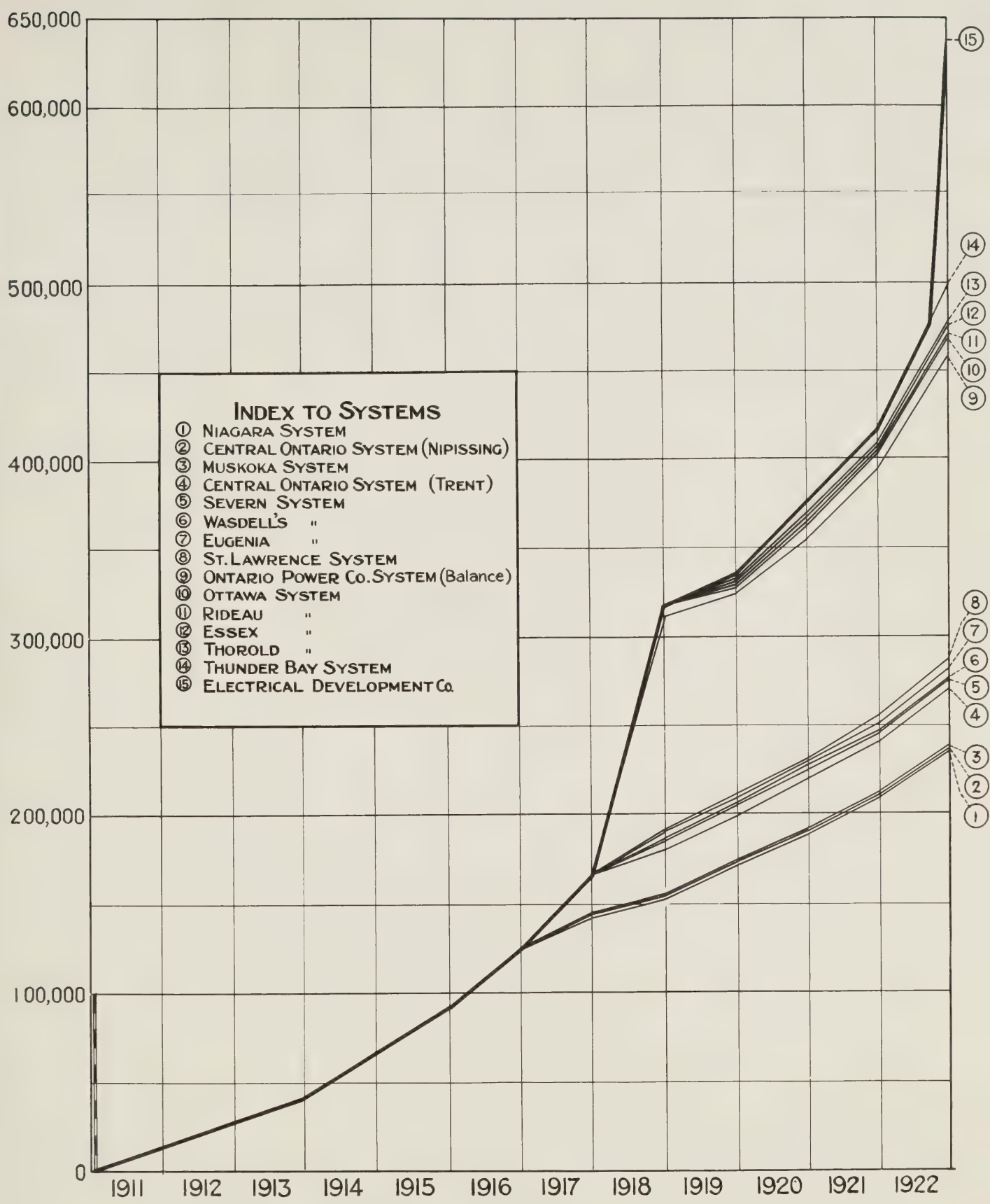
per person in about 0.44 horse-power and that in the Province of Quebec the figures are practically the same. According to the comparison given, therefore, the rate of development in both Provinces is identical.

### General Remarks

The rapid expansion in the scope of the undertaking of the Commission may also be clearly viewed by considering the expenditures that have been made, and the obligations that have been assumed by the Commission since the commencement of its work. On page 27 of this report the items comprising the total expenses in respect of 1924-1925 are shown, and on page 28 the figures are given in comparison with the total expenses for 1923-1924. It is seen in comparing these figures that the total expenses for 1924-1925 are about 50 per cent greater than for 1923-1924. This increase is due to the fact that the Commission has been at a rate almost identical with the House in the year 1924-1925. While the financial relations between the Commission and the Government with the Government are identical in 1924-1925, the expenditures with the Government are identical in 1924-1925. In the following pages of this report, it is of interest to note that the total liabilities of the Province at the present time amount to approximately \$288,000,000, and of this sum \$140,000,000 represents power, transmission and related railways, all of which are controlled by the Commission with the exception of the Central Ontario System which is owned entirely by the Province and managed by the Commission. On page 29 of this report is a table showing the Provincial liabilities compared with those



ELECTRICAL HORSE - POWER



HYDRO-ELECTRIC INQUIRY COMMISSION  
W. D. GREGORY, CHAIRMAN  
ECONOMICS OF H. E. P. C. DISTRIBUTION SYSTEMS  
H. E. P. C. SYSTEMS  
**CURVES OF PEAK LOADS  
IN ELECTRICAL HORSE-POWER**  
Toronto, June 23rd, 1923. Made by *gla* Checked by *L. L. H.*  
WALTER J. FRANCIS & COMPANY  
CONSULTING ENGINEERS





incurred by the Province on account of the Hydro-Electric Power Commission and the Central Ontario system on a percentage basis. The chart shows that the percentage increased from about 2% in the year 1909 to about 53% in the year 1917 and it is interesting to note that the percentage has remained practically constant from 1917 until the year 1922.

#### Private Ownership and Expropriation

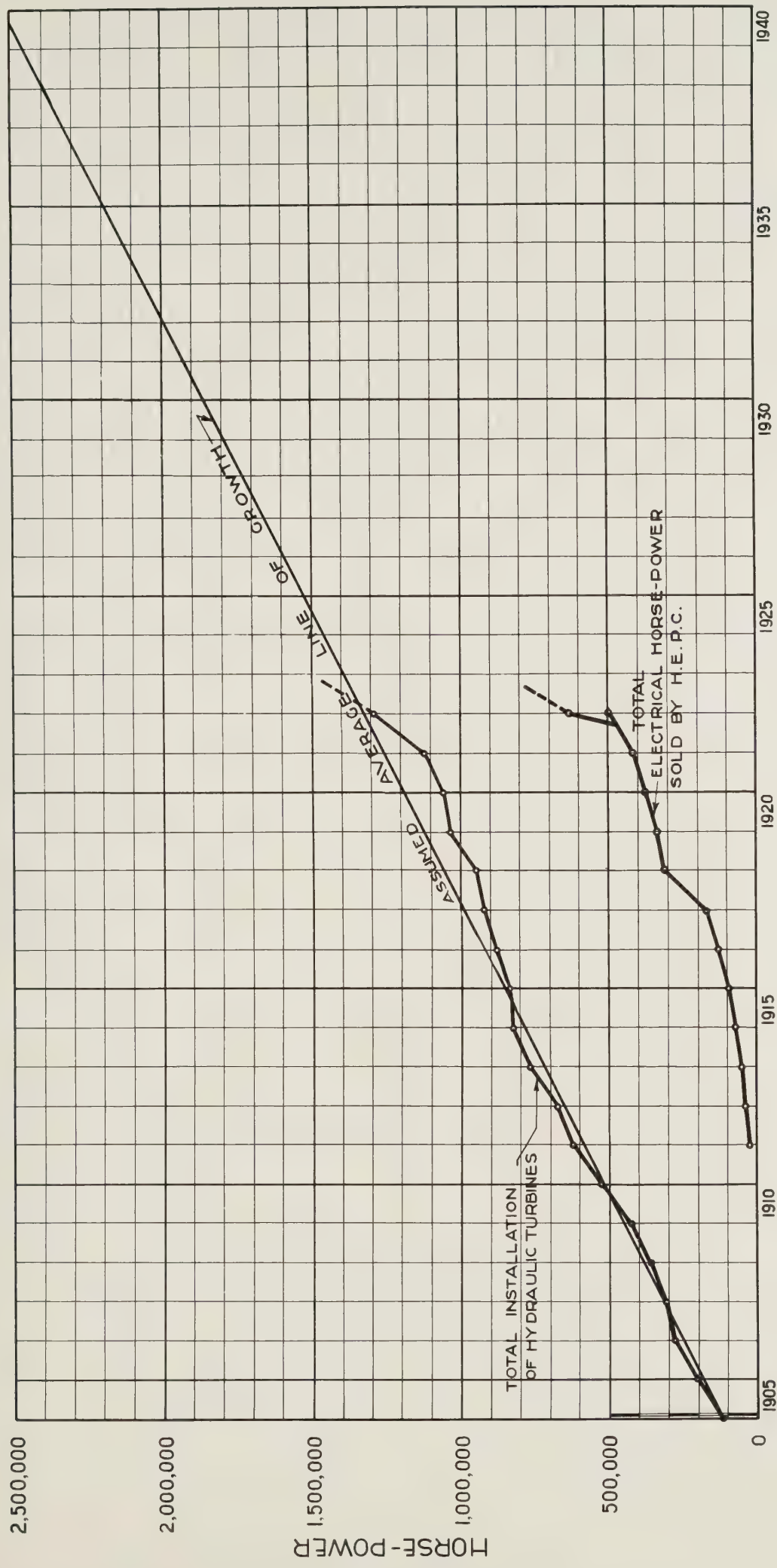
Under the terms of the Power Commission Act, the Commission has authority to purchase or expropriate the undertakings of private companies which may be required in the operation of the works of the Commission or necessary for the distribution of power within the municipalities. The Hydro-Electric Power Commission, in response to a request from this Commission, has submitted to us a list of the properties so acquired, which is included as pages 39, 40, 41, 42 and 43 of this report. While the conditions under which some of these properties were purchased are discussed fully in separate reports on the systems, it has been impossible to analyze all of so great a number of transactions in detail, but after a review of the circumstances surrounding many of the transactions, including a study of the nature of the properties acquired and the amount of capital involved in each undertaking, it is quite apparent that the operations of the Commission have had a decided tendency towards a monopoly of utilities which hitherto have been under the control of private capital.

incurred by the Province on account of the Hydro-Electric Power Commission and the Central Ontario System on a percentage basis. The chart shows that the percentage increased from about 2% in the year 1909 to about 6% in the year 1917 and it is interesting to note that the percentage had remained practically constant from 1917 until the year 1932.

Private Ownership and Control

Under the terms of the former Commission Act, the Government was authorized to purchase or acquire the assets of private companies which may be required in the operation of the work of the Commission or necessary for the distribution of power within the Province. The Hydro-Electric Power Commission, in 1909, in a report to the Government, was authorized to do a list of companies to be acquired, which is included as pages 39, 40, 41, 42 and 43 of this report. While the Commission under which was the Hydro-Electric Power Commission was dissolved fully in 1917, it was re-established in 1920, it has been impossible to analyze all of the assets of the companies in detail, but after a review of the circumstances surrounding many of the transactions, including a study of the assets of the companies acquired and the amount of capital invested in each, it is quite apparent that the operation of the Commission has had a marked tendency towards a monopoly of electric power. It has been found that the assets of the companies acquired have been sold at prices well below





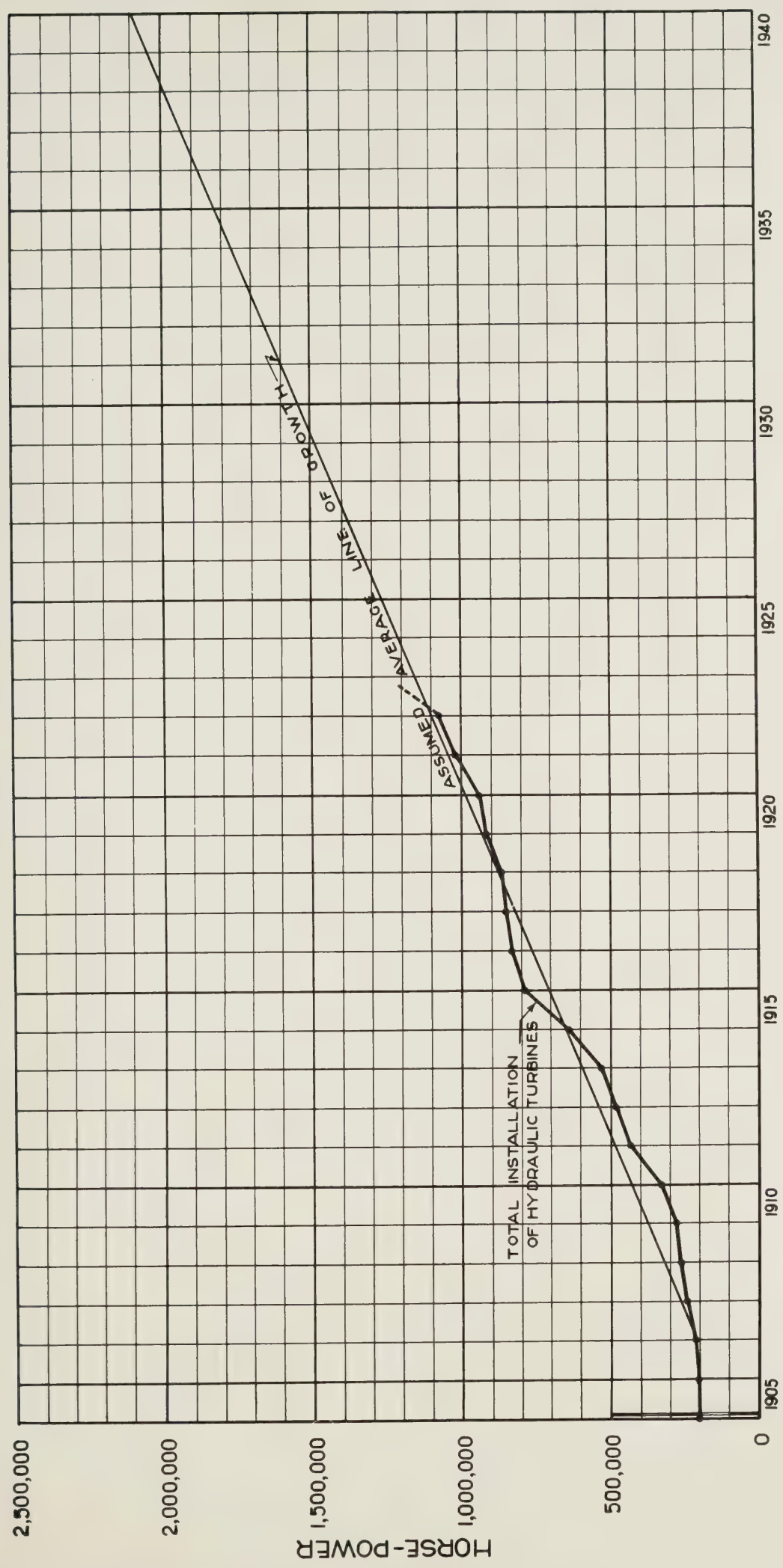
YEARS

HYDRO-ELECTRIC INQUIRY COMMISSION  
W. D. GREGORY, CHAIRMAN  
ECONOMICS OF H. E. P. C. DISTRIBUTION SYSTEMS  
**TOTAL HYDRAULIC INSTALLATION  
IN THE PROVINCE OF ONTARIO**  
Toronto, June 23rd, 1923. Made by *W.D.G.*, Checked by *W.J.F.*  
**WALTER J. FRANCIS & COMPANY**  
CONSULTING ENGINEERS





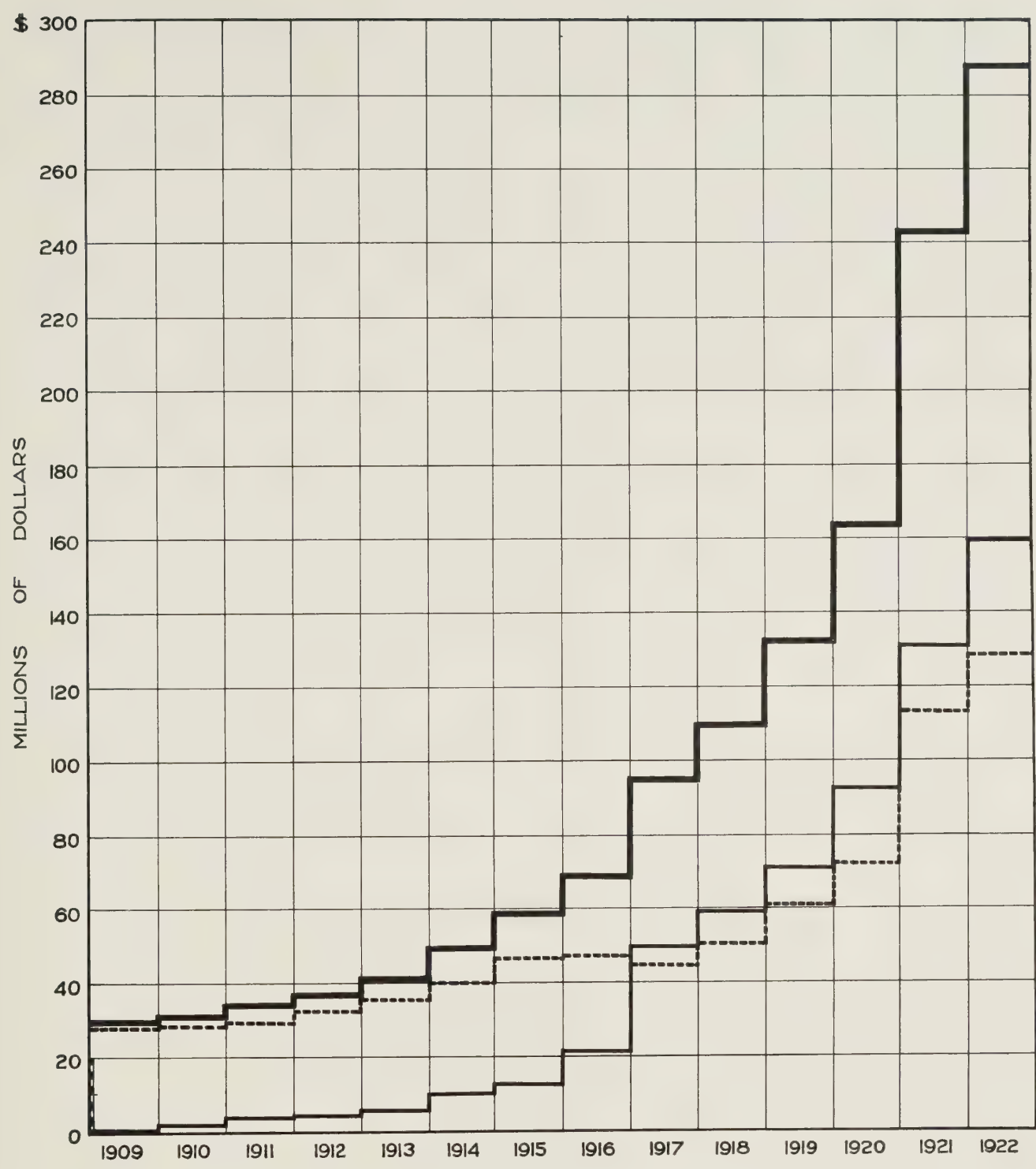
HYDRO-ELECTRIC INQUIRY COMMISSION  
W. D. GREGORY, CHAIRMAN  
ECONOMICS OF H. E. P. C. DISTRIBUTION SYSTEMS  
**TOTAL HYDRAULIC INSTALLATION  
IN THE PROVINCE OF QUEBEC**  
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YEARS





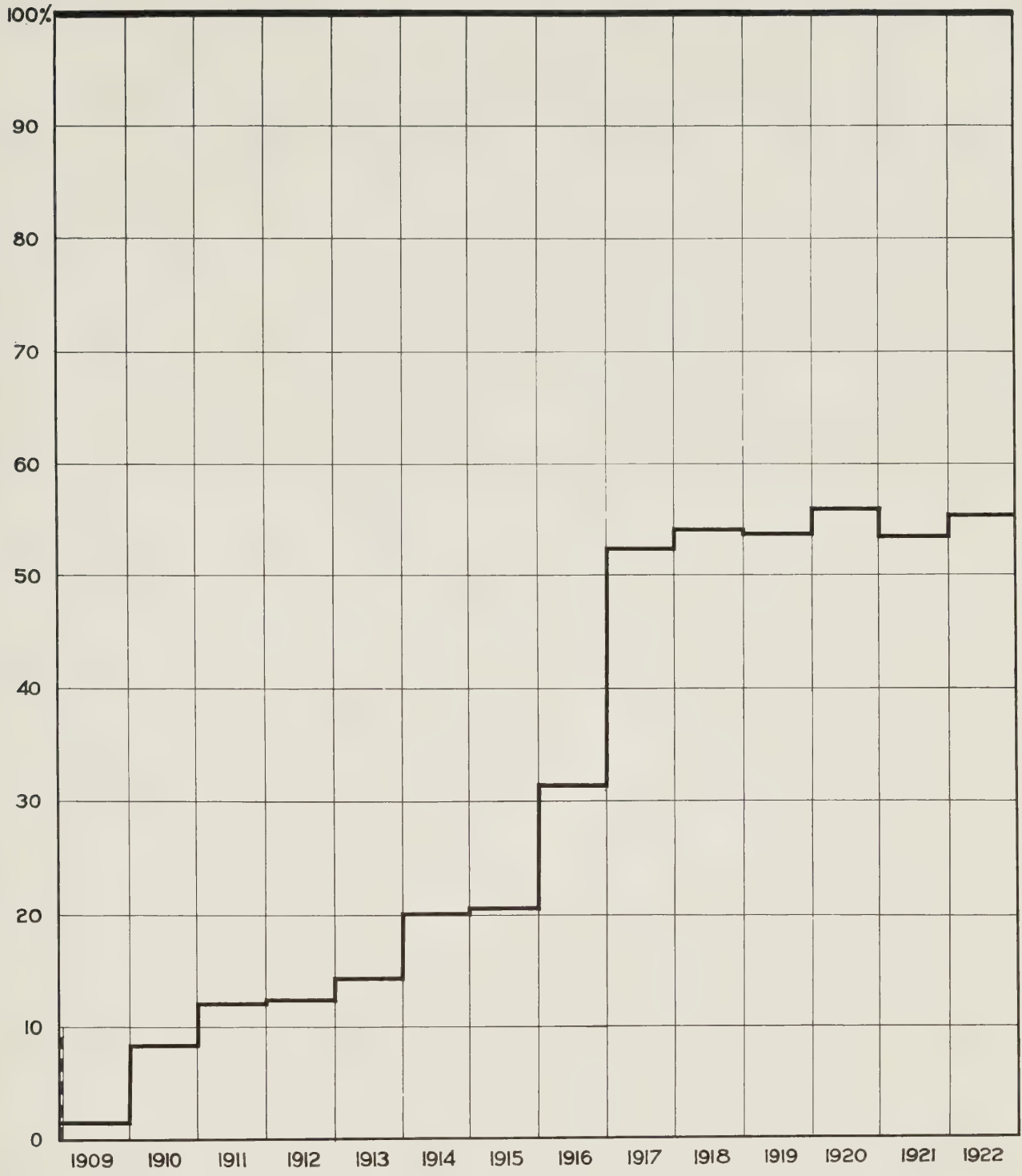


TOTAL PROVINCIAL LIABILITIES —————  
TOTAL H.E.P.C. AND CENTRAL ONTARIO SYSTEM  
CASH ADVANCES AND OTHER LIABILITIES —————  
PROVINCIAL LIABILITIES OTHER THAN  
H.E.P.C. AND CENTRAL ONTARIO SYSTEM - - - - -

**HYDRO-ELECTRIC INQUIRY COMMISSION**  
  
TOTAL PROVINCIAL LIABILITIES  
COMPARED WITH THOSE INCURRED BY  
THE PROVINCE ON ACCOUNT OF  
THE HYDRO-ELECTRIC POWER COMMISSION  
AND THE CENTRAL ONTARIO SYSTEM  
  
September 11th., 1923







TOTAL PROVINCIAL LIABILITIES \_\_\_\_\_  
TOTAL H.E.P.C. AND CENTRAL ONTARIO SYSTEM \_\_\_\_\_  
CASH ADVANCES AND OTHER LIABILITIES \_\_\_\_\_

HYDRO-ELECTRIC INQUIRY COMMISSION  
**TOTAL PROVINCIAL LIABILITIES COMPARED  
WITH THOSE INCURRED BY THE PROVINCE  
ON ACCOUNT OF THE HYDRO-ELECTRIC  
POWER COMMISSION AND THE CENTRAL  
ONTARIO SYSTEM ON A PERCENTAGE BASIS**  
September 11th, 1923





PROPERTIES PURCHASED OR ACQUIRED BY MUNICIPALITIES  
AND HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

Name	Purchase Price	Name of Company Purchased
<u>NILGARA SYSTEM</u>		
1 Bolton	6,800.00	A. A. McFall
2 Brampton	15,000.00	Mr. McMurchy
3 Brantford Twp.	4,000.00	Western Counties Electric Com- pany
4 Chatham	40,000.00	Chatham Gas Company
5 Clinton	17,000.00	Clinton Electric Light Co.
6 Drayton	2,850.00	Canadian Flax Co.
7 Dundas	2,110.00	Cataract Power Co.
8 Dunnville	16,500.00	Dunnville Electric Light Company
9 Elmira	3,000.00	Elmira Milling Company
10 Elora	2,100.00	Dr. Groves
11 Embro	2,100.00	Wm. Soxall
Etchicoke Twp. (See No. 89)	(See Hydro-Electric Power Commission purchases)	Interurban Electric Co.
12 Fergus	3,800.00	Dr. Groves
Ford City (See No. 30)	(See Falkerville)	Falkerville Light & Power Company
13 Galt	16,500.00	Galt Gas Company
14 Georgetown	3,000.00	Georgetown Electric Light & Power Company
15 Hensall	400.00	J. S. Passmore
16 Ingersoll	47,000.00	Ingersoll Electric Light, Heat & Power Company
17 Merlin	275.00	Jas. McHardy
Nimico (See No. 89)	(See Hydro-Electric Power Commission purchases)	Interurban Electric Co.
18 New Hamburg	6,600.00	Jacob Morley
New Toronto (See No. 89)	(See Hydro-Electric Power Commission purchases)	Interurban Electric Co.
19 Norwich	3,575.57	N. Webster
20 Petrolia	11,285.00	Petrolia Gas & Electric Company
Point Edward (See No. 24)	(See Sarnia)	Sarnia Gas & Electric Co.
Port Colborne (See No. 82)	(30,000.00)	Ontario Power Company
21 Port Huron	6,500.00	Maple Leaf Rubber Co.
22 Port Stanley	6,875.00	W. Mitchell
23 Rodney	1,000.00	Rodney Water & Gas Co.
Sandwich (See No. 86)	60 cycle Plant	Purchased by Windsor as part of S.W. & A. Rly. from Hydro-Electric Power Commis- sion

THE NATIONAL CITY BANK OF NEW YORK  
AND TRUST COMPANY OF NEW YORK

Name of Company Incorporated		Amount Paid	Amount Due
STOCK			
1. Capital	6,000.00		
2. Surplus	10,000.00		
3. Dividends	4,000.00		
4. Reserves	40,000.00		
5. Other	17,000.00		
6. Total	117,000.00		
7. Total	117,000.00		
8. Total	117,000.00		
9. Total	117,000.00		
10. Total	117,000.00		
11. Total	117,000.00		
12. Total	117,000.00		
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27. Total	117,000.00		
28. Total	117,000.00		
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32. Total	117,000.00		
33. Total	117,000.00		
34. Total	117,000.00		
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50. Total	117,000.00		



Name	Purchase Price	Name of Company Purchased
Sandwich E.Twp. See Walkerville (See No. 30)		Walkerville Light & Power Company
Sandwich W.Twp. 60 cycle plant (See No. 86)		Purchased by Windsor as part of S.W. & A. Rly. from Hydro-Electric Power Commission
24 Sarnia	175,000.00	Sarnia Gas & Electric Co.
25 Stanford Twp.	29,500.00	Ontario Dist. Co.
26 Stratford	43,800.00	Stratford Gas Co.
27 Thedford	700.00	Geo. Conlitis
28 Tilbury	5,000.00	Thos. Vickerman
29 Tillsonburg	4,500.00	Tillsonburg El. Light Works
30 Toronto - By T.H.S.S. (See No. 89)	50,000.00	Interurban Electric Co.
Toronto - By City (See No. 87)	25,000.00	de (See Hydro-Electric Power Commission Purchases) Toronto & Niagara Power Co.
Toronto Twp. (See No. 89)		(See Hydro-Electric Power Commission Purchases) Interurban Electric Co.
30 Walkerville	63,000.00	Walkerville Light & Power Company
31 Wallaceburg	30,000.00	Premier Gas & Electric Co.
32 Watford	2,500.00	Geo. Chambers Estate
33 West Lorne Windsor (See No. 86)	1,250.00 60 cycle plant	West Lorne Electric Company Purchased by Windsor as part of S.W. & A. Rly. from Hydro-Electric Power Commission for \$190,000.00. This amount is included in original purchase price - see H. E. P. C. Purchases
34 Zurich	150.00	William Bros.
<u>EUGENIA SYSTEM</u>		
Arthur (See No. 37)	3,107.00	John Phillips
35 Chesley	9,231.76	M. A. Halliday
36 Durham	3,800.00	McIntyre Estate
37 Grand Valley	3,000.00	John Phillips
38 Hanover	12,000.00	Herman Greutzner (Hanover Electric Light Co.)
Hornings Mills (See No. 81)		(See Hydro-Electric Power Commission Purchases) Pine River Light & Power Co.





Name	Purchase Price	Name of Company Purchased
39 Markdale	2,730.00	Winnis Bros.
Neustadt	1,500.00	Herman Greutzner
(See No. 38)		(Hanover Electric Light Co.)
Orangeville		
(See No. 81)	11,947.00	Pine River Light & Power Co.
Shelbourne	4,359.00	Pine River Light & Power Co.
(See No. 81)		

WABEEL'S SYSTEM

40 Beaverton	4,000.00	Adam Dobson
41 Cannington	6,250.00	Adam Dobson
42 Sunderland	4,000.00	Thos. Welsh
43 Woodville	2,250.00	Adam Dobson

SEVERN SYSTEM

44 Alliston	12,000.00	Wm. Jos. Cunningham
45 Orosmore	2,537.15	Simon Plewes
46 Elmvale	2,400.00	Chas. Copeland
47 Stayner	7,657.15	Jos. Knox
Victoria Harbour (See Hydro-Electric Power Commission Purchased (See No. 57))		Simcoe Hy. & Power Co.

OTTAWA SYSTEM

48 Ottawa	250,000.00	Consumers Light Company
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ST. LAWENCE SYSTEM

49 Apple Hill	1,150.00	Peter McIntyre
50 Winchester	1,100.00	Mr. Elliott

CENTRAL ONTARIO SYSTEM

51 Havelock	4,500.00	Havelock Electric Light & Power Company
52 Lakefield	5,500.00	S. R. Lagott
53 Norwood	3,500.00	W. C. Harrison
Peterboro		
(See No. 74)	154,615.00	Peterboro Light & Power Co.
54 Wellington	3,000.00	W. P. Niles





Name	Purchase Price	Name of Company Purchased
<u>RIDEAU SYSTEM</u>		
Carleton Place- Munic.- for COMPANY		
(See No. 86)	40,000.00	H. Brown & Son
H. S. P. C. (60,000.00)		See Hydro-Electric Power Commission Purchases
55 Perth	120,000.00	Canadian Light & Power Co.
56 Smiths Falls	60,000.00	Citizens Electric Co.
	75,000.00	Smiths Falls Electric Co.

Plants Purchased by Hydro-Electric Power Commission

57 Simcoe Railway & Power Company	475,000.00
58 South Falls Development - Plant - Gravenhurst	50,595.00

Electric Power Company:

- 59 Auburn Power Company, Limited
- 60 Central Ontario Power Company, Limited
- 61 City Gas Company of Oshawa, Limited
- 62 Cobourg Utilities Corporation, Limited
- 63 Cobourg Water & Electric Company
- 64 Cobourg Gas, Light & Water Company
- 65 Eastern Power Company, Limited
- 66 Light, Heat & Power Co. of Lindsay
- 67 Napanee Gas Company, Limited
- 68 Napanee Water & Electric Company
- 69 Nipissing Power Company, Limited
- 70 Northumberland Pulp Co., Limited
- 71 Oshawa Electric Light Company
- 72 Otonabee Power Company, Limited
- 73 North Bay Light, Heat & Power Company
- 74 Peterborough Light & Power Co. Limited
- 75 Peterborough Radial Railway Company
- 76 Port Hope Electric Light & Power Co.
- 77 Seymour Power & Electric Company, Limited
- 78 Sidney Electric Power Company, Limited
- 79 Trenton Electric and Water Co. Limited
- 80 Tweed Electric Light & Power Company, Ltd.

Total for Electric Power Company - 8,350,000.00

Bruton Limits 300,000.00 8,650,000.00

Item	Quantity	Unit Price	Total
100 lbs. of Company Standard	100	1.00	100.00
50 lbs. of Company Standard	50	1.00	50.00
25 lbs. of Company Standard	25	1.00	25.00
10 lbs. of Company Standard	10	1.00	10.00
5 lbs. of Company Standard	5	1.00	5.00
1 lb. of Company Standard	1	1.00	1.00
<b>Total</b>	<b>191</b>		<b>191.00</b>

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17 Ontario Railway & Power Company  
18 Southern Electric Development  
19 Pines - Gravelly  
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**Plants Purchased by Hydro-Electric Power Commission**  
**(Continued)**

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81 Pine River Light & Power Company	48,570.00
82 Ontario Power Company and Ontario Transmission Company	22,450,000.00
83 Essex County Light & Power Company	226,000.00
84 James Battle - Thorold System	100,000.00
85 H. Brown & Son - Carleton Place	60,000.00
86 Sandwich-Windsor & Amherstburg and Windsor and Tecumseh Railway	2,039,000.00
87 Toronto Power Company Electric Development Company Toronto & Niagara Power Company Toronto Electric Light Company Toronto & York Radial Railway Schomberg & Aurora Railway	32,734,000.00
88 Erindale Power Company	60,000.00
89 Interurban Electric Company	25,000.00

**COPY**

TABLE 10 - Summary of Electric Inquiry Commission  
(Continued)

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## GENERAL RELATIONS

HISTORY

The relations between the Government or the Province, the Commission and the municipalities have undergone many important changes during the past decade. The keenest minds of the Eleventh Legislature could scarcely have foreseen the day when over \$170,000,000 would be invested in the works of the Hydro-Electric Power Commission of Ontario. It is not surprising, therefore, that the Act of 1903, and, indeed, the Acts of 1906 and 1907, are scarcely to be recognized as the genesis of a body of legislation which today requires a volume of 350 pages. In contemplation of a discussion of the present general relations, and in view of the agitation in some quarters for fundamental changes in the existing relations, it appears advisable to trace the history of these relations as reflected in the Statutes of the Province and the public utterances of our public men from 1903 until the present time.

THE ACT OF 1903

The policy of the Ross Administration was a policy of municipal control and responsibility as distinct from Government control. Honourable Mr. Ross informed the deputation which waited upon him in February 1903 that the Government would not undertake the generating and transmitting of power, but that if the





municipalities took up the matter themselves a bill would be passed giving them authority to develop, transmit and distribute power as a commission of their own appointment might consider best. He stated, in part, as follows:-

"You cannot expect the Government to appoint a Commission to serve the municipalities; that would be assuming a responsibility for the success or failure of the scheme, which would not be the case if appointed by the municipalities. The men to spend the money should be under the control of the municipalities whose money they spend and we see our way clear to furnish you with a commission to be appointed through yourselves to receive your money and to spend it as may be agreed upon."

The Act of 1903 is sketched briefly on pages 4 and 5 of this report. **COPY** Previously, the intention was that the Province should assume no financial responsibility and that the Government should have no control or voice in plans and proceedings which the municipalities might adopt to provide themselves with electrical power. The investigating commission was to be appointed by the municipalities themselves; the construction and operation of any works recommended by the Commission and approved by the municipalities was to be undertaken by the Board of Commissioners to be appointed, not by the Government, but by the Chief Justice of Ontario, and the capital construction was to be financed, not by the Treasurer of Ontario, but by the issue of bonds by the Commission, secured by a mortgage on the works to a trustee for the bond holders.

In an address delivered by the Honourable Adam Beck,

1944-1945

passed during the century. The first was the

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...available to every citizen of the State of

It is not enough to say that the Government is responsible for the money they spend and we see our way clear to furnish you with a commission to be appointed to investigate the matter and report upon it as you see fit.

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of this nature. The action was that the Government was that the Government

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before the Commission for the Conservation of National Resources of Ontario on the 19th of January, 1910, the speaker referred to the Snider Municipal Commission, and stated:

"It became evident during the latter stages of the work of this Commission, and also in the discussions which followed the publication and distribution of the report among the municipalities that certain serious difficulties of procedure were inherent in any plan which depended for its final accomplishment upon purely municipal initiative. The Government of the Honourable Mr. Whitney, which in the meantime had been formed, recognizing these difficulties, appointed, partly in obedience to the public opinion of the time, and partly from a spontaneous recognition of the importance of the water power question, a new Commission to make still further inquiries."

#### The Act of 1906

For some time prior to the defeat of the Ross Government, Mr. Beck had been one of the most active promoters of the project for supplying electrical power to the municipalities. Upon the accession to the Premiership of the Honourable Mr. Whitney and the appointment of Mr. Beck as a member of the Cabinet, rapid progress was made in bringing the project to fruition. The Honourable Mr. Beck evidently adhered to his opinion expressed at the Berlin Power Conference that the Government should control the power situation, and had so impressed the Premier and other colleagues with the advantages of such a course, that a policy of Government control was quickly adopted. Newspaper and other reports of the early part of 1906 show that an active campaign was conducted in favour of the then unannounced policy of the Government.

before the Commission for the purpose of its official business of interest on the 15th of January, 1910, the speaker referred to the Chief Electrical Engineer, and stated:

"It seems evident during the latter stages of the year of this Commission, and also in the discussion which followed the publication and distribution of the report made by the Commission, that certain sections of criticism of the work of the Commission in the past have been made. The Commission of the Government of the Province of Ontario, which is now making has been formed, comprising these divisions, organized, partly in accordance with the public opinion of the time, and partly from a consideration of the interests of the public service. It was organized on a basis which I think is satisfactory."

The Act of 1910

The Commission was created by the Act of 1910, which gave it the power to investigate the public utility industry in Ontario. The Commission was composed of three members, one of whom was to be appointed by the Government, one by the Legislature, and one by the public. The Commission was given the authority to inquire into the rates, service, and general conduct of the public utility companies, and to make recommendations to the Government and the Legislature. The Commission was also given the power to call for information and documents from the companies, and to hold public hearings. The Commission's first report was published in 1911, and it has since published several other reports. The Commission's work has been instrumental in the development of the public utility industry in Ontario, and it continues to play an important role in the regulation of the industry.



A conference of municipal representatives at Galt on the 23rd of March, the publication of the report of the Inner Municipal Commission on the 26th of March, the large deputation to the Government and the presentation of the report of the Government Inquiry Commission on the 11th of April, strengthened the hands of the Government and paved the way for the almost immediate announcement of the policy of Government control, the introduction and passage of the Act of 1906 and its acceptance by the municipalities.

The Honourable Mr. Ross, leader of the Opposition, raised the following objections to the Bill, when it was being considered in the Legislature on the 9th of May:

1. It would have the effect of injuring the credit of the Province with British and foreign investors.
2. By having one member of the Commission a member of the Government, it was earmarked as being purely political.
3. The municipalities, not the Government, should float the debentures and raise the money required.
4. Expenses of the Commission were chargeable against the Province and thus many parts of the Province not interested in purely local improvements had to pay their proportion.
5. The Commission should not have the right to override "The Conmee Act". "If the Conmee Bill is wrong, let us sweep it off the Statute Book".
6. The theory of expropriation was unfair and unsound, and should be eliminated from the Bill.





Hon. Mr. Whitney, in answering these objections, stated that the Commission would be, in fact, a department of the Government responsible to the Government from day to day, and to the people from year to year; that he did not think there need be any fear that the Province would have to borrow ten millions; that he did not think there would be any expropriation, but that if there were no powers of expropriation, the bill would not be worth anything; and that all costs would eventually fall on the municipalities and not on the Government. On the following day the bill, having passed through the various stages without division, received its third reading.

COPY  
During the discussion of the bill in the Legislature, its supporters do not appear to have advanced any reasons for the adoption of the principle of Government control, nor does there appear to have been any criticism or objection made by municipalities prior to or immediately following the passage of the Act. It is quite evident that the Government's policy in this respect, and the reasons therefor, had been foreshadowed and so impressed upon the municipalities interested by the public addresses of the Honourable Mr. Beck that it was unnecessary for the supporters of the bill to refer to the subject.

It was evidently considered essential that the Commission should be appointed by, responsible to, and under the control of, the Government for the following reasons:





1. To be free from the provisions of the "Concession Act".

2. To finance most economically the undertakings for the supply of electric energy to all the municipalities by pledging the credit of the Province or obtaining advances from Provincial funds.

3. To ensure a supply of power by expropriation proceedings which would be otherwise impossible to obtain.

4. To avoid the complications and misunderstandings likely to arise if authority were divided among a number of municipalities.

5. To safeguard the interests of the Province which owned the water powers and was advancing funds to pay the initial cost of producing and distributing power to the municipalities.

The intention of the Act of 1906 was apparently to

create a commission, which, though appointed by the Government and under Government control, would be able, without municipal political interference, to supply power on an efficient and economic basis to municipalities desiring it. The Commission was to be a trustee for the Province as well as the municipalities, and it was anticipated that the Provincial interest would be a diminishing one as the sinking funds, which are a part of the power charge, were paid yearly by the municipalities, while the interest of the municipalities on the other hand would become larger annually with the payment of these sinking funds.

The Act of 1906 and its revised version, the Power Commission Act, 1907, may be regarded as the original charter of the Hydro-Electric Power Commission of Ontario, as it exists

1957

1. The Commission was established by the Government of the Province of Ontario.

2. The Commission was established to study the supply of electric energy to all the municipalities in the Province of Ontario.

3. The Commission was established to study the supply of electric energy to all the municipalities in the Province of Ontario.

4. The Commission was established to study the supply of electric energy to all the municipalities in the Province of Ontario.

5. The Commission was established to study the supply of electric energy to all the municipalities in the Province of Ontario.

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The Act of 1906 was amended by the Act of 1907.

The Commission was established by the Government of the Province of Ontario.

The Commission was established to study the supply of electric energy to all the municipalities in the Province of Ontario.

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The Commission was established to study the supply of electric energy to all the municipalities in the Province of Ontario.

The Act of 1906 and the revised version, The Power

Commission Act, 1907, may be regarded as the original charter

of the Commission. The Commission was established by the Government of the Province of Ontario.



today. The Conservative Administration, returned to office in the general election of 1906, held the reins of Government continuously until the fall of 1919. Sir James Whitney was Premier from 1906 until his death in 1914, when he was succeeded by Sir William Hearst. The Drury Government during its four years of office did not attempt to implement by legislation any fundamental changes in the general scheme of the Power Commission Act, but it did attempt to pass upon the general policies of the Commission and to assume a fuller measure of governmental responsibility as evidenced by its refusal to endorse the Hydro-Radial policy of the Commission.

COPY  
In view of the continuous and rapid growth in the activities of the Commission, and in view of the fact that the Government which brought it into being held office for the first thirteen years of its existence, one might expect that the broad general principles upon which the first Power Commission Act was founded would have survived. As a matter of fact, insofar as legislation is concerned, the general tenor of the Act and the relations between Province, municipalities and Commission, undoubtedly appear to the casual observer substantially the same today as in the Act of 1906, but when one reads the press clippings of the period and the announcements of Government policy from time to time, and analyzes the force of the multitude of amendments to the original Act, and the mass of general and special legislation indirectly affecting the general provisions of the Power Commission Act, one is convinced, not only that the





Legislature which passed the first Power Commission Act could never have contemplated the relations as they exist today, but that the wonder is that having regard to the attitude of the Government towards the Commission, the Act was not entirely recast ten years ago.

At the time of the passage of the original Act and until the year 1914, the Chairman of the Commission was a member of the Cabinet. "In this arrangement and throughout the Act, Government control is obviously the intention", states Allan M. Dymond, K.C., Law Clerk of the Legislative Assembly in 1922, in a memorandum on Legislation relating to the Commission on the files of this Commission. The fact that the Chairman, (and the Executive head in every sense), of the Commission was a member of the Legislature and of the Cabinet was intended to assure the responsibility of the Legislature and of the Government for any action taken by him in directing the affairs of the Commission. Nevertheless, this period witnessed possibly the gravest crisis which the Commission has experienced since its inception. It is apparent that Sir James Whitney was by no means satisfied with the statutory relations between the Government and the Commission.

#### Government Bill of 1911

In February, 1911, the Prime Minister introduced a bill in the Legislature to take away the control of the power enterprises initiated by the Commission and vest it in the Ontario Railway and Municipal Board. "There is some doubt", said the

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Legislative Committee...  
...the fact that the Chairman...  
...of the Commission was a member...  
...of the Legislature and of the Government for any...  
...responsibility of the Legislature and of the Government for any...  
...this period witnessed possibly the greatest crisis...  
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...the Government and the Legislature...

History of Bill of 1911

In February, 1911, the Prime Minister introduced a  
Bill in the Legislature to take away the control of the power  
exercised initiated by the Commission and vest it in the Ontario  
Legislature... "There is some doubt"...



Prime Minister, "as to whether the jurisdiction over the Power Commission system should rest with the Hydro-Electric Power Commission or should be under the control of the Railway and Municipal Board." (Globe, 3rd February, 1911). Evidently strong pressure was brought to bear upon the Government because when the bill came up for second reading, the Prime Minister asked that it be allowed to stand on the Order Paper indefinitely, explaining that, "I am not disposed to press the Bill in its present form .... because whatever its present form may be, there are several provisions which experience has shown the necessity of being added." (Globe, 3rd February, 1911).

#### The Department of Power, 1911-12

In October of the same year, Sir James Whitney, in making the announcement of the date of the Provincial Election, issued an address to the electors in which he said:

"In our opinion the time has come when, having regard to the conduct of public business under our system, the Hydro-Electric Power Commission should be discontinued and a new Department of Power created which would take charge of this great work, and the head of which should be a Cabinet Minister."

Exactly one month after the election and its return to power, the Government announced that the proposal to create a Department of Power had been abandoned.

#### Relation between Commission and Municipalities

Under the Act of 1903, there was absolutely no Government





control or interference, the Act being in effect one merely to extend the powers of municipalities beyond those given by the Municipal Act. A municipality or a group of municipalities was authorized, through a Commission in the appointment of which the Government had no voice, to obtain a required supply of electrical power without any financial support or assistance from the Government. The relationship of the municipal corporations to their Commission, if such were appointed under the Act of 1903, would, from one point of view, be the same as under the Act of 1906 and the present Act, because in each case the Commission occupies the position of quasi-trustee for the municipalities. Under the Act of 1903, however, the municipalities alone were beneficially interested in the trust estate, and under the Power Commission Acts, the Province also has a beneficial interest, and the Commission occupies the position of quasi-trustee for the Province as well as for the municipalities.

The powers of the Commission in respect of the regulation and control of municipal action and operation have, as before noted, been greatly extended by various amendments to the Act of 1906, and it may safely be assumed that if the Commission should be removed from all control of, or connection with, the Government, the same regulation and control of municipal action and operation would be exercised by the Commission, and possibly more automatically than at present when the approval of the Lieutenant-Governor in Council is required for some of the dealings between





the Commission and the municipalities.

### Relation between Commission and Province

Amendments to the Power Commission Act, since 1906, have not increased or strengthened the control of the Commission by the Government. On the contrary, the tendency has been to weaken this control and to make the Commission a far more self-regulating body than either the original Act contemplated or Sir James Whitney suggested when in the debate upon the bill he stated that the Commission would occupy the position of a Department of the Government.

The financial relationship between the Commission and the Province has changed very materially since 1906. Under the Act of 1906, the Lieutenant-Governor in Council was authorized to raise by way of loan on the credit of the Province the funds required for the work of the Commission. These funds were to be paid over to the Commission and audited and accounted for in the same manner as the public accounts of the Province. Under the general law then applicable, appropriations were voted annually by the Legislature to meet the estimated requirements of the Commission for the ensuing year. These appropriations could not be exceeded, and lapsed if not paid over during the year for which they were made. The Commission was required to pay over to the Provincial Treasurer all monies received by it from municipalities, railway and other companies under the Act. It was thus in the same position as the Departments of the Government.

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-The man was a member of the crew of the ship.

the military supported them in the debate over the bill to

—traced a 10 mile long and various sized water system and built a dam.

was maintained and reported (1971).

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for the purpose of the investigation.



Under the present Act the provision as to the Lieutenant-Governor in Council raising funds and paying same over to the Commission remains practically the same as under the original Act, but amendments have provided for the payment over to the Commission of appropriations upon requisition of the Chairman of the Commission in such amounts and at such times as shall be stated in the requisition and direction, notwithstanding anything in The Audit Act contained. The Commission has the right to issue its own bonds and the Lieutenant-Governor in Council is authorized to guarantee them. The Lieutenant-Governor in Council is also authorized to guarantee the observance and performance of any contract or agreement entered into by the Commission and the repayment of any advances made by banks to the Commission or any other indebtedness of the Commission. Thus the Government has power to borrow or guarantee payment for the Commission to an unlimited extent. In guaranteeing bonds or contracts of the Commission it could pledge the credit of the Province to the extent of \$100,000,000, or indeed any sum, without consulting the Legislature. The giving of such powers to the Government is, we believe, without precedent.

The Commission does not now pay over to the Provincial Treasurer all monies received by it, as required by the Act of 1906. The Commission applies its income to operating expenses, the setting up of reserves, etc. and only the sums received by the Commission on sinking fund account are required to be invested in





Provincial securities and delivered to the Provincial Treasurer. It also provides for the annual payment of interest on the indebtedness of the Commission to the Province for moneys advanced.

Province as Banker

Under the original Act the Province may be compared to a bank, lending money to a customer at its discretion, with the provision that all income from the business of the customer be paid to the bank. Under this arrangement the Government of the day would be kept fully and continuously informed of the financial operations of the Commission.

The situation is different now. The Province still acts as the banker, by providing the funds, but the Commission only pays annually to the Province interest on its indebtedness to the Province and delivers to the Province as security provincial Bonds purchased with moneys received by it on sinking fund account. Consequently there is less control than formerly. From year to year there has been a large increase in the receipts and expenditures of the Commission and in the volume of business transacted by it. With this increase in business and lessened control it has been more difficult for the Legislature to keep fully in touch with the Commission's operations.

Commission and Legislature

But while the Legislature has widened the powers and increased the authority of the Commission, the Commission, as we have pointed out in the reports already made, has frequently

is also available for any amount, subject to the limit of \$100,000.

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Under the original act the proceeds of the sale of the property were to be paid to the person or persons who were the owners of the property at the time of the sale. The act was amended in 1907 to provide that the proceeds of the sale of the property were to be paid to the person or persons who were the owners of the property at the time of the sale, or to the person or persons who were the owners of the property at the time of the sale, or to the person or persons who were the owners of the property at the time of the sale.

The situation is different now. The Province will have to be reorganized, and the Commission only has to wait for the Province to be reorganized. The Province and delivery to the Province as security. Provincial funds are not received by it on a regular basis. The Province has a large increase in the receipts and expenditure of the Province and in the amount of the Province. With this increase in business and increased control is the Province for the Province as well as the Province with the Province's operations.

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gone far beyond even the wider powers given to it. On many occasions when it has exceeded its legal powers it has gone to the Government or Legislature for authority afterwards.

A compliant Legislature having from time to time ratified and confirmed illegal acts of the Commission, and disapproval by the Governments of the day of these and other illegal acts having been seldom expressed when brought to their attention by the Auditor, the Commission was undoubtedly encouraged to continue to disregard the law.

The spectacle of the Commission, or rather the Chairman of the Commission, exceeding Legislative appropriations by millions of dollars; spending for one purpose millions entrusted to the Commission for other purposes; making agreements clearly beyond the powers of the Commission, while Auditors protest and Governments and Legislatures look on, has its humorous as well as its serious side.

The following testimony on this subject given before us by the late Sir John Hendrie, a member of the Commission from 1906 to 1914, is very much to the point:

Q - "What do you think of the practice of introducing validating Acts?"

A - "I think it is improper."

Q - "Would you think this might be sound: To lay down the rule that these acts should not be done before legislation, authorizing them to be done, should be enacted?"

A - "Yes, that is right; just the same as any other legislation."





Municipal Electric Associations

The Hydro-Electric power movement in Ontario originated through the co-operative action of a number of municipalities in Western Ontario. This co-operation had its active inception under the direction of what was originally known as the "Western Ontario Power Organization". The name of this association was changed in 1906 to "Western Ontario Municipal Niagara Power Union".

At the present time a link between the Commission and the municipalities is the Ontario Municipal Electric Association, which includes in its membership representatives from practically all municipalities in the Niagara System and also from other Hydro municipalities throughout the Province. The Commission has frequently availed itself of the help of the Association, or its officials, in promoting the objects of the Commission. Up to and including 1921 the Association received from the Commission an annual grant which appears to have been its main source of revenue, and it has to this extent been subsidized by the Commission. Its Secretary, Mr. T. J. Hannigan, has frequently been the organizer of campaigns which the Commission has carried on. It has been said, with much justification, that at times the Association has been the instrument of the Commission itself. We are informed that since the fiscal year 1922 the grants from the Commission to the Association have been discontinued; but for a portion of the time, at least, since then, Mr. Hannigan has been on the Commission's payroll, and his salary, instead of coming out

CONFIDENTIAL - SECURITY INFORMATION

The first objective of the Commission is to establish a

co-operative system of a number of municipalities in  
order to establish a co-operative system and the system  
the objective of which is to establish a co-operative system  
co-operative system. The name of this association was changed  
in 1954 to the Ontario Municipal Association.

At the present time a link between the Commission and the  
municipalities is the Ontario Municipal Association.  
which includes in its membership representatives from practically  
all municipalities in the Niagara Region and also from other  
municipalities in the Province. The Commission  
has frequently stated that it is not a part of the Commission  
of the officials, in promoting the objects of the Commission.  
In the year including 1951 the Association received from the Com-  
mission an annual grant which appears to have been the main source  
of revenue, and it has to some extent been subsidised by the Com-  
mission. The Association, as a result, has frequently been  
the sponsor of campaigns which the Commission has carried on.  
It has been stated, with some justification, that the  
Association has been the instrument of the Commission itself.  
It was intended that since the fiscal year 1953 the grants from the  
Commission in the Association have been discontinued; but for a  
period of one year, as stated, the Commission has been  
on the Commission's behalf, and has acted as a sponsor of



of the grant made by the Commission to the Ontario Municipal Electric Association, has thus been paid directly to him by the Commission. Mr. G. F. Clarkson, the Auditor of the accounts of the Commission, frequently stated in his reports to the Government that the authority of the Commission to make these grants to the Association was open to question.

#### The Commission as a Campaigner

All public utilities depend largely for their success upon the co-operation of the general public. In a private venture promotion carried on by a campaign of propaganda often produces the desired results. The adoption of similar methods by public bodies may be viewed in a different light. There is always danger that when public associations, representative of any group carefully organized and directed, carry on campaigns of this nature, they may forget their public character.

It would seem quite proper for the Commission to advertise the advantages of Hydro-Electric power and within reasonable limits to solicit business and endeavour, in other ways, to promote the growth of the Commission's business. The Commission is also performing a public duty in going into a municipality, when requested so to do, to make surveys and submit estimates of the cost of power. But the Commission enters upon highly debatable ground when it goes into a municipality to take part in an election being held to decide from what source the municipality will secure its power. A private company would be likely to take an active part in a campaign of this character on the side of those who advocate





the purchase of power from it, but the Commission is in a different position from a private company. It is a public body and receives its support from the entire community. It cannot conduct a campaign with those who advocate entering into a contract with it without antagonizing those who do not. We have already pointed out the course it took in Cornwall, where, without even the request of the municipality, it actively entered into the campaign against the purchase of power by the municipality from a private company. The supporters of the purchase proved to be a majority of the electors, and the action taken by the Commission aroused strong local feeling against it. Not only did the Commission take part in the campaign in Cornwall, but after the election there it raised the price for power which it had before quoted to a private company proposing to establish itself in the Cornwall district.

In our report on the Wasdell's System reference is made to the attempts of the Commission to prevent the Town of Grillia, which successfully operates a power plant of its own, from securing customers in surrounding rural districts. The action of the Commission in this case also aroused strong local feeling against it.

The expenses which the Commission incurred in the Cornwall campaign were paid out of grants of public moneys made by the Province to it for making preliminary surveys, preparing estimates, and so forth. It is doubtful if the Legislature ever intended that the funds granted by it should be used to pay the expenses of the





Commission in campaigning for or against the adoption of municipal by-laws. If the Legislature did so intend it would seem desirable that its intention should be made clear.

Resolution of Association, April, 1923

At a meeting of the Ontario Municipal Electric Association in Hamilton on April 4th, 1923, the following resolution was adopted:

"That this meeting of representatives of the municipalities of the Niagara system engaged in the development, transmission and distribution of electric energy as a municipal undertaking desire to place ourselves on record as believing the time has come to take such steps as will relieve the Provincial Government from all financial responsibility and place the administration and control of the Hydro-Electric System in the hands of the municipalities who are owners and are financially responsible for the undertaking."

The proposal made in this resolution, to place the financial responsibility for the undertakings of the Commission directly upon the municipalities, would, if carried into effect, radically change the very principles upon which the Hydro-Electric Power movement in Ontario was founded. It would naturally follow that the municipalities would have to provide all moneys required in respect of further work undertaken by the Commission and that the Province would be relieved from all responsibility therefor. In the second place, the resolution proposes that the entire administration and control of the Hydro-Electric Power Commission be placed in the hands of the municipalities and that the Government thus be relieved of all responsibility in the appointment and control of the Commission. It is to be noted that in the resolu-





tion the Association described the municipalities as owners of the Hydro-Electric system, and the Province as the sole financial undertaking as it exists at the present time, and as now being financially responsible for it.

#### Public Hearing, April, 1923

In view of the important nature of this resolution and of the statements made by officials and members of the Association at the meeting above referred to, a hearing on the subject was held by us in the month of April last. Notice of the hearing was given by us to all Hydro-Electric municipalities in the Province and to the Commission itself.

The hearing continued for three days. There was a large and representative attendance and a full and free interchange of opinion.

The two subjects dealt with in the resolution of the Association, upon which discussion principally centred, were:

1. The relieving of "the Provincial Government from all financial responsibility" and its assumption by the municipalities, and
2. The placing of "the administration and control of the Hydro-Electric system in the hands of the municipalities".

We propose now to deal only with the former subject; with the latter we shall deal later in this report.

#### Financial Statement from the Auditor

At the opening of the hearing a statement was submitted at our request by the Auditor of the Commission's accounts, showing the cash advances and guarantees made or given by the Province in respect of Hydro-Electric undertakings since the creation of

from the Association's perspective, the Commission's role is to ensure that the Association's interests are protected and that the Commission's actions are consistent with the Association's goals.

Statement of the Association

In view of the importance of this Commission and of the Association's role in the Commission's work, the Association has decided to submit a statement to the Commission. This statement will be submitted to the Commission on or before the date of the Commission's meeting on the subject of the Commission's work. The Association's statement will be submitted to the Commission in the form of a letter to the Commission, dated the date of the Commission's meeting on the subject of the Commission's work.

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the Commission, and the sinking funds deposited with the Provincial Treasurer as security for its advances and guarantees. The statement submitted in accordance with this request was in total to the period ending March 31st, 1923, and is as follows:

Cash advanced by the Province of Ontario  
to the Commission up to 31st March, 1923 \$107,282,799.90

Made up as follows:

Chippawa Power Development	\$62,025,023.42
Essex System	22,000.00
Niagara and other Systems	<u>45,255,776.48</u>

In addition to the above, bonds were guaranteed  
by the Province as follows:

Bonds of The Ontario Power  
Company and of the Commis-  
sion issued in connection  
therewith . . . . . \$23,091,000.00

Bonds of Commission issued  
to purchase Essex System . . . . . 226,000.00

Bonds of Commission issued  
to purchase Thorold System . . . . . 100,000.00

Debentures of Toronto Power  
Company guaranteed by the  
Commission and covenant of  
the Commission guaranteed  
by the Province . . . . . 12,383,831.95

5% Bonds of the Commission  
re "Clean-up" Deal . . . . . 619,000.00

Bonds issued by Commission  
re purchase and rehabili-  
tation of S.W. & A. Ry. . . . . 3,000,000.00

Bonds issued by Commission  
re purchase of capital stock  
of Toronto & York Railway,  
and Schomberg Railway . . . . . 2,375,000.00

Bonds issued by Commission  
re Port Credit & St. Catha-  
rines Railway (now deposited  
with the Bank of Montreal as  
security for a loan of \$500,000) 1,200,000.00

Bonds and cash advances  
re Central Ontario System \$55,112,540.73

\$162,395,340.63





Less: Sinking funds deposited with the  
Provincial Treasurer and securities  
held by the Commission at March 31st,  
1923, to be deposited with the  
Provincial Treasurer:

Niagara and other Power Systems	\$2,508,919.21
Central Ontario System	<u>28,663.60</u>

\$2,537,582.81

Net Liability of the Province . . . . . \$159,857,757.82

### Misconception of the Public

It was made clear at the hearing, as it had before been made clear to us, that there exist in the public mind many misconceptions as to the real financial responsibility in respect of the expenditures made by the Commission. The feeling that the municipalities of themselves are entirely responsible for the moneys expended by the Commission and that the Province as a whole, represented by the Government of the day, is only nominally interested in the undertaking, seems to have been, and to a large extent still to be, the general impression.

Mr. C. A. Laguire, Mayor of the City of Toronto, purporting to speak for the Ontario Municipal Electric Association, said, regarding the proposal of the Association that the Province should be relieved of all financial responsibility in respect of the Hydro-Electric System, that:

".... we felt that the time had arrived when we should divorce it from the Provincial Government .... you will see the absolute absurdity of the statement that the Government have carried the financial responsibility."

When a man occupying the responsible positions of Mayor of Toronto and President of the Ontario Municipal Electric Association

1999) and the fact that the two groups of subjects were not matched for age.

1946-1947 (1946-1947) (1946-1947)

9. 解: 本題 1993 年第 1 次, 2000 年第 2 次, 2002 年第 1 次。

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makes such a statement it is hardly surprising that similar misconceptions are found among those having less opportunity to inform themselves of the facts represented by a particular case, or that

entirely given, as the Commission has found in the case of the

#### Resolution not Endorsed

The proposal to divorce the Commission from the Province made by Mr. Maguire found but little support from the other delegates who appeared before us. Mr. John Marshall, Chairman of the Dunnville Hydro-Electric Commission, stated the general sentiment expressed when he said that the municipalities "could not take over the financial responsibility". It was made quite apparent that the Ontario Municipal Electric Association did not speak for the municipalities which constitute its membership, when it passed the resolution of April 4th.

#### Provincial Liability for Hydro Expenditure

It will be noted from the Auditor's statement submitted at the hearing, that the total net liability of the Province in respect of all works operated by the Commission as of 31st March, 1923, amounted to approximately \$160,000,000. The total Provincial debt as at October 31st, 1922, was \$286,000,000, including direct liabilities of some \$241,000,000 and indirect liabilities of some \$47,000,000, so that the liabilities incurred for the Commission constitute more than half the total liabilities of the Province. The chart, which appears on page 38, shows the total Provincial liabilities, and the liabilities incurred by the Province on account of the undertakings of the Commission and the Central Ontario System, on a percentage basis, in each year from 1909 to

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The proposal to divorce the Commission from the Executive  
 was by Mr. McGuire found but little support from the other dele-  
 gates and was rejected before Mr. Mr. John Marshall, Chairman of the  
 Executive Committee, could make his report. The Executive Committee  
 reported that the Commission should be reorganized and that the  
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1922, inclusive. From this chart it will be seen that, of the total liabilities of the Province, 18% in 1909, 32% in 1916 and more than 55% in 1922 is represented by advances made, or guarantees given, to the Commission by the Province and by the outlay made by the Province in respect of the Central Ontario System. It is the advances from the Province that have made the work of the Commission possible. The Province, in fact, has supplied its life blood.

A second table which appears on page 37 of this report shows in terms of dollars the total liabilities of the Province and also the liabilities of the Province incurred on account of the Commission and the Central Ontario System, in each year since 1909. The rapid development of the Hydro-Electric movement in Ontario could scarcely be more graphically represented. It is to be noted from the chart referred to that the total annual additions to the Provincial debt increase in much the same ratio as that portion of the debt which is made up of advances to and obligations incurred by the Province on behalf of the Commission.

The statement does not include certain payments made by the Province to the Commission under the provisions of the Power Commission Act to cover the cost of preliminary surveys, etc., made by the Commission, to which reference has already been made. All of these advances are taken out of current revenue and borne by the Province at large. These advances from 1909 to October 31, 1922, amounted to \$2,525,663.00.

#### Summary of Advances from Province

Summing up, the Provincial advances and guarantees in

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The Commission will report to the Board of the  
Board of the Commission in 1934.



respect of all Hydro-Electric undertakings may be conveniently classified as follows (cents omitted):

<u>1. Expenditure chargeable to Province</u>	
Made by Commission, paid to it by the Province and not recoverable by Province .....	
	\$ 2,525,663
<u>2. Central Ontario System</u>	
Purchased and owned by Province, operated by Commission .....	
	18,117,708
<u>3. Guarantees by Province</u>	
Bonds issued or assumed by Commission ....	
	42,994,831
<u>4. Cash Advances by Province</u>	
Repayable by Commission out of Revenue ...	
	107,282,799
	<u>\$164,921,001</u>

### Sinking Funds

COPY

The terms and bases upon which the municipalities, and, in turn, the Commission, are repaying the cost of the undertakings of the Commission just enumerated can most conveniently be discussed according to the foregoing classification.

### 1. Expenditure Chargeable to Province - 22,525,663

Between 1909 and October 31st, 1922, the Commission charged the Province with \$2,525,663 which represented expenses for the most part in respect of:

1. Engineering assistance and estimates to municipalities not under contract.
2. Hydrographic surveys, storage surveys, investigations and reports on power sites and stream flow in the Province.
3. Excess of expenses over revenues arising in connection with the Electrical Inspection Department.





4. Investigations, surveys, etc., in respect of Hydro-Electric Radial Railways, and furnishing information thereon to municipalities, the Government and others,

The amount noted above is not recoverable, but will remain as a contribution by the Province, as a whole, toward the undertakings and works controlled or managed by the Commission and toward the increased use of the Provincial water powers and electrical energy developed therefrom, unless some of the municipalities not under contract decide to take power from the Commission or the proposed railways are constructed, in which case a small part of the above amount might be repaid to the Province. Also, any future excess of revenues over expenses arising in connection with the Electrical Inspection Department will doubtless be applied as a reduction of the amounts which the Province has contributed to meet the deficits of the Department up to the present time.

2 Central Ontario System - \$12,117,708

The investment by the Province in the Central Ontario System, which it owns, amounts to \$12,117,708. No provision is being made for the collection of sinking fund except with respect to the investment in the Oshawa Rural Lines, the Bruton Township timber limits and the Bancroft mill, amounting in all to about \$420,000, representing less than 4% of the total capital investment in the system. The sinking fund to meet these obligations amounted on October 31st, 1921, to only \$37,342.02. The remainder of \$11,697,708 will have to be otherwise provided for.

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The amount noted above is not recoverable, but will re-

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The principal amount of \$8,350,000, being represented by the 4%, 10-year bonds of the Province handed to the vendors of the System, matures in 1926 and will require to be refunded. We have stated in our report on the Central Ontario System that steps should be taken to place this undertaking on a power-at-cost basis to be administered under the provisions of the Power Commission Act and the whole brought into line with other systems throughout the Province.

### 3. Guarantees by Province - \$42,994,831

This amount is made up of:

(A) Bonds issued by the Commission and guaranteed by the Province in respect of:

(a) Purchase of Essex System	\$ 226,000
(b) Purchase of Thorold System	100,000
(c) Purchase and rehabilitation of S., W. & A. Railway	3,000,000
(d) Port Credit-St. Catharines Railway (deposited with the Bank of Montreal as security for a loan of \$500,000)	1,200,000
(e) The Ontario Power Company	11,200,000
(f) "Clean-up" Deal - Power	619,000
- Radial	2,575,000

(B) Bonds of:

(g) The Ontario Power Company inclusive of bank loans	11,891,000
(h) Toronto Power Company - payment of which was assumed by the Commission and guaran- teed by the Province	12,303,831
	<u>\$42,994,831</u>

The repayment of these bonds is not assured, as yet, by the adoption of any uniform sinking fund policy.

With regard to the bonded indebtedness in respect of the Essex System, the Thorold System, the forty-year 4% bonds of

The principal amount of \$2,000,000 was authorized in 1934, 1935 and 1936 and will require to be refunded. We have stated in our report on the Central Ontario System that this amount is taken to place this undertaking on a power-plant basis to be administered under the provisions of the Hydro-Electricity Act and the Central Ontario System Act.

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Dr. Robert D. Scheraga, Jr. and Joseph D. Glaser, Jr. are thanked for their assistance.



the Commission issued in connection with the acquisition of The Ontario Power Company, amounting in all to \$8,226,000, sinking funds have been set up, in amounts sufficient, if continued, to retire the obligations at maturity.

In respect of the \$12,368,831, 4% Consolidated Debenture stock of the Toronto Power Company, the trust deed provides that annual payments shall be made to the Trustees of the issue in amounts sufficient to retire the total issue at maturity. The Commission, however, has adopted a forty-year sinking fund basis in respect of these debentures and, as the sinking fund must be held intact until the end of the forty-year period, the Commission will be compelled to obtain funds in the meantime from some other source to meet the annual payments to the Trustees. No sinking funds are being set up in respect of the \$1,200,000 Hydro Radial Debentures pledged with the Bank of Montreal for a loan of \$500,000.

With regard to the balance of \$21,065,000 made up of various amounts maturing at different dates about \$6,700,000 or 32% will be refunded by sinking fund accumulations at maturity. The foregoing computation is subject to the conditions set forth in our report on the Niagara System, pages 64, 65, 66 and 67, and the provisions of the Hydro Radial agreements respecting sinking funds. The Commission is not required to set up sinking fund sufficient to retire these obligations at maturity. The above statement, however, indicates the extent to which guarantees by the Province will require to be renewed by

The Commission is of the opinion that the proposed plan of financing the Electric Light Company, amounting in all to \$10,000,000, is a plan that has been set up, in essence and intent, to provide for the obligation of the company.

In respect of the \$10,000,000, the Commission is of the opinion that the plan of financing the Electric Light Company, amounting in all to \$10,000,000, is a plan that has been set up, in essence and intent, to provide for the obligation of the company.

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the province or the obligations otherwise provided for.

There is another important question that arises in connection with this matter and also in the case of other outstanding bond issues of the Commission and that is: Is the Commission justified in not setting up a sinking fund in respect of these bonds in the same manner as it sets up sinking funds in respect of cash advances made to it under the terms of the Power Commission Act? If the course taken by the Commission in this matter be correct, it follows that it rests with the Commission to decide as to whether or not it will set up sinking funds at all in respect of bond issues. Did the Legislature intend to confer upon the Commission such authority or did it intend that outstanding bond issues should be treated in the same manner as cash advances and sinking funds provided in respect thereof, under the general terms of the Power Commission Act?

#### 4. Cash Advances by Province - \$107,282,799.

Under the provisions of the Power Commission Act, municipal corporations are required to pay to the Commission as part of the cost of power an annual sum sufficient to form in thirty years with interest at four per cent. per annum a sinking fund for the repayment of the advances made by the Province under the Act to meet the cost of the works from which the power supplied to the municipalities is derived. The Commission is authorized to relieve the municipal corporations from payment of any sum on account of sinking fund for the first five years of their contracts and the amounts required from such corporations on sinking fund account

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### 4. THE COMMISSION'S POWER TO SET UP SINKING FUNDS

Under the provisions of the Power Commission Act, which

entitled the Commission to set up sinking funds in respect of

the year of power or annual and sufficient to form in thirty years

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entitled the Commission to set up sinking funds in respect of

the year of power or annual and sufficient to form in thirty years

with interest at four per cent. per annum a sinking fund for the

repayment of the advances made by the Province under the Act to



then become payable during the thirty years next ensuing after the expiration of the five-year deferment period. In all the power undertakings of the Commission, with the exception of the Thunder Bay System, the plants serving the Niagara System and a few minor cases, the Commission bases its charge for sinking fund account on thirty annual payments, beginning at the expiration of the five-year deferment period. In the case of the Thunder Bay System, a forty-year sinking fund was specially agreed upon, and confirmed by the Legislature. In respect of the Queenston-Chippawa Power Development, the Commission has interpreted Section 5 of the Ontario Niagara Development Act, 1917, as authorizing it to collect payments on sinking fund account as it may deem necessary and proper. According to estimates submitted to us by it, the Commission proposes to collect sinking fund payments to meet the cost of the Queenston-Chippawa works in forty annual instalments during the last forty years of a forty-five-year period although the original estimate of the price of power from the Queenston-Chippawa undertaking, submitted by the Commission to the Government, was based on a thirty-year sinking fund period. As a result of this change of mind on the part of the Commission, the price of power from Queenston-Chippawa will be substantially reduced.

The Commission is required by the Power Commission Act to invest all payments received by it on sinking fund account from municipal corporations and others in bonds of the Province and to deliver these securities to the Treasurer of Ontario as





security for repayment of the advances made by the Province to the Commission. The bonds so delivered to the Treasurer of Ontario are the only direct security the Province can acquire for its advances to the Commission.

#### Commission as Trustee

The Power Commission Act does not expressly declare that the works and undertakings of the Commission are held by it as trustee for the municipal corporations interested therein, but the form of contract between the Commission and municipal corporations, with such additions and alterations as might be approved by the Lieutenant-Governor in Council, which was authorized by the Act of 1908 and is Schedule "B" thereto, has been adopted as a standard form and does so provide. The Ontario Niagara Development Act, 1917, does provide that in the case of works constructed or acquired thereunder and the contracts for power entered into with municipal corporations - most, if not all, of which have been confirmed and validated by the Legislature - the Commission shall hold them as trustee for the municipalities.

Although by far the larger proportion of the properties vested in the Commission are declared to be held in trust for municipal corporations, the statutes and agreements provide that the Commission shall have a lien upon the works until all sums expended by the Commission on account of the construction and equipment of such works have been paid. Such lien should enure to the benefit of the Province to the extent of its advances and liabilities assumed in respect of the several works and be held





by the Commission as trustee for the Province.

With the amount of \$1,500,000 standing at the credit of sinking fund accounts, the works vested in the Commission as trustee may be considered as held for the municipalities and the Province as joint beneficial owners in the approximate proportions of a 2% and 98% interest, respectively; but the true position would seem to be that the Commission holds as trustee for the Province a lien upon the works for the provincial advances and liabilities and the Province has additional security to the extent of about 2% of such advances and liabilities.

#### Direct Liability of the Province

For repayment to the lenders of the \$107,000,000 advanced by the Province to the Commission, the Province alone is liable. This entire sum has been raised by the Province for the Commission by the sale of bonds issued by the Province and signed on behalf of the Province only. If default were ever made in payment of the bonds, the holders of the bonds would have their remedy against the Province. No municipality has guaranteed the bonds issued by the Province, or issued its own bonds to secure the Province for its advances; so that of these large bond issues not one cent is a direct liability of the municipalities or of any of them. In issuing their financial statements the municipalities served by the Commission do not include any indebtedness in respect of these advances.

Not only are the municipalities free from liability to the lenders of the money - they are free from any direct liability

by the Commission on the basis of the evidence.

With the amount of \$1,000,000, the Commission

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to the Government itself. In case of default the Government could not recover judgment against the municipalities for a single dollar.

While neither Commission nor municipalities are liable on the bonds, the Commission is required by Section 15 (1a) of the Power Commission Act to pay over to the Government, year by year, a sum sufficient to pay the annual cost to the Government of its advances to the Commission, and the municipalities enter into an agreement with the Commission to pay, for the power from the Commission, a price which will repay the interest and also cover the amount required to be put aside to form a sinking fund sufficient to repay the advances of the Province to meet the cost of the respective works. If any municipality should make default in its payments for power all that the Commission could do to recover would be to sue the municipality under Section 22 of the Power Commission Act or to enforce the contract entered into by the municipality with the Commission to take and pay for power, if such contract had not expired. The Commission might of course refuse to supply more power until arrears were paid. In the case of the Nipigon Development operating expenses exceeded revenues received by more than \$500,000 up to October 31st, 1923, and the amount due the Province at that date is stated by the Auditor to have been about \$566,000. This deficit will probably in time be overcome, but it shows what a real liability the Province incurs in making the advances and how helpless it





is to recover, at the present time, the interest on its advances. If default were made by other municipalities, the inability of the Government to collect would again be shown. At the hearing before us, the Chairman stated that in his opinion the Government should take the Wipigon deficit, not from the municipalities, but out of the Provincial Treasury.

#### Government a Poor Collector

In all the other systems the interest and contribution to the sinking fund have been provided, but if in future science should render obsolete the works completed in 1923 and power could be secured by the municipalities at less cost than they would have to pay the Commission, the Commission and the Government would be likely to find it very difficult to get the municipalities to pay more for Hydro power than they would have to pay for power obtainable from other sources. The Province would have power through the Legislature to require payment, but every Government is a poor hand at collecting from its constituents, and if such conditions arose the Province might be left with the enormous liabilities which it has incurred for the Commission and very inadequate means of compelling payment.

#### Propaganda by Commission

But while the direct obligation for repayment of the moneys raised for the Commission has been borne by the Province alone, the Chairman of the Commission, in the past, has frequently shown impatience at the suggestion that the Government should,





before advancing the money asked for, look into the merits of the schemes for which it is asked. It seems to have been assumed that it is not for the Government to ask why, or to make reply, but to provide the funds. Frequently announcements of proposed developments have been made without having been first submitted to the Government for approval. The newspaper files of years gone by tell many an interesting story. They certainly show that the Chairman is an expert in the art of creating and organizing public opinion. The procedure followed before applying to the Government for money appears often to have been much as follows: Before or after the announcement of project or policy is made by the Chairman, meetings are held, resolutions endorsing the scheme are passed and deputations arranged for. Soon the Hydro Press (so-called) is heard from in support of the proposed undertaking. When the matter is taken up with the Government, it has to deal with a project which the Commission has already launched and for which a vigorous propaganda is already in full blast. The Government cannot disapprove of the project without running counter to a large body of opinion that has been created in advance. If a Government does disapprove of, or question the project, the "Hydro Press" begins to roar and the Government is charged with "political interference". As a rule Governments object to being placed in such a position.

Whether or not the Government is willing that the Commission should announce its intention of constructing works involving large expenditure and consequently large additions to the Provincial debt, without first securing the approval of the Govern-

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ment, is for the Government to say. If the decision as to what developments should be undertaken were left with the Commission, it and not the Government would largely determine the financial standing of the Province.

The late Sir John Hendrie said:

"I think the Government, who are going to be responsible for the financing to carry on the project, should be consulted before any project is developed."

### The Personality of the Chairman

If the Minutes of the Commission are complete, they show that announcements of the policy of the Commission, in respect of future developments, have been made from time to time by the Chairman without the subject having first been dealt with by the Commission. Sir Adam Beck has undoubtedly regarded himself, and has been regarded by others, as in effect the Commission itself. His forceful personality has played a large part for years in settling—or unsettling—the relations between the Commission and the Government. He has a large and devoted following and has become a force that is recognized by all political parties. His arbitrariness; his lack of consideration—to state it mildly—of others; his absolute disregard of law or anything else that stands in his way, should not blind anyone to the fact that he has rendered great and notable service to Ontario. During that critical period when the Commission met with unceasing and persistent obstruction from powerful interests which desired that the development and sale of electric energy should be left in private





hands, his fighting qualities stood him in good stead and helped him to overcome all opposition. From the beginning he has kept the Commission free from those paralyzing influences of officialdom which have lessened the efficiency and limited the usefulness of so many public organizations.

#### Interest of Province in Hydro Undertakings

The popular conception that the Commission is "trustee for the municipalities", which implies that the interests of the Government are negligible, is only a half truth. It must be remembered that as the Commission expends the funds advanced by the Government, it is trustee for the Government and should as rigorously guard the interests of one as of the other. While it is true that the Commission is trustee for the municipalities, for many important things in addition to their investment, it must not be forgotten that the properties alone which are held in trust by the Commission represent an interest of 98% in respect of the Province and a 2% interest in respect of the municipalities.

The proportion of the annual borrowings of the Province required for purposes of the various undertakings of the Commission may be expected to increase. The estimates of the Commission, passed at the last session of the Legislature, involved advances for works now under way, or at present contemplated, to the extent of about \$26,000,000. Surveys and preliminary work looking to construction of a second development in the Niagara Peninsula have actually been commenced, and, if this work be proceeded with, many more millions will be required during the





next few years, for it alone. The development of the St. Lawrence River is proposed by the Government of the Province and by the Commission as an undertaking of the near future.

#### Municipal Ownership of Developments Far Distant

This brief review of the financial relations now existing between the municipalities, the Commission and the Province, and the certainty that additional capital will be required within the next few years to finance undertakings which are regarded as inevitable, clearly show that the Province will have to carry increasing financial responsibilities and that the municipalities may find, years hence, that the percentage of their interest in the undertakings is not very much greater than it is at present. It will be only at that far distant period when the market has become entirely saturated with power, when no further power sites are available or required for development and when the sinking fund period with respect to the last capital expenditure has terminated, that the municipalities can possibly hope to acquire an unencumbered title to the works serving them.

The obstacles in the way of municipalities alone and unassisted directly financing future capital construction are great. It seems clear that the Province itself must be prepared to continue to finance the Commission or the municipalities either by direct advances or guarantees. It is not surprising that there is no widespread demand for the relinquishment of Government control and the assumption of the financial responsibility by the municipalities.





SYSTEM RELATIONS

A "System" within the meaning of the Power Commission Act, is defined by Section 23b as a group of municipalities which by their contracts have assumed the costs of the purchase of, or works for the development of, electrical energy. There are nine such systems, viz: the Niagara, the St. Lawrence, the Severn, the Rideau, the Eugenia, the Thunder Bay, the Masdell's, the Ottawa and the Muskoka Systems.

There are, in addition, four so-called systems which are not, for one reason or another, systems within the meaning of the Act, viz: the Bonnechere River Storage, the Central Ontario, the Essex and the Thorold Systems. The individual features peculiar to the four last-named systems are discussed in the separate reports by us thereon. For the purposes of this section of the report, the term "System" is confined to its statutory definition and refers to the nine first-named systems above.

Genesis of System Organization

The system organization arose largely as a matter of accounting convenience. The scheme of the Power Commission Act contemplates each municipal corporation paying the cost of power at "the point of development or of its delivery to the Commission," and, in addition, its proportion of interest, sinking fund, line loss, etc. There is no provision for the pooling of costs among different points of development. Accordingly, when the Commission and the City of Ottawa negotiated the

SYSTEMS

A system is defined as a collection of elements which are organized in a specific manner to perform a specific function.

There are many types of systems, but they can be classified into two main categories: natural systems and man-made systems.

Natural systems are those which exist in nature without the aid of man. Examples of natural systems are the solar system, the human body, and the ecosystem.

Man-made systems are those which are created by man. Examples of man-made systems are the computer system, the transportation system, and the social system.

There are many types of man-made systems, but they can be classified into two main categories: physical systems and social systems.

Physical systems are those which are made of physical components. Examples of physical systems are the mechanical system, the electrical system, and the chemical system.

Social systems are those which are made of social components. Examples of social systems are the family, the community, and the nation.

There are many types of social systems, but they can be classified into two main categories: formal systems and informal systems.

Formal systems are those which are organized in a specific manner. Examples of formal systems are the government, the military, and the corporation.

Informal systems are those which are not organized in a specific manner. Examples of informal systems are the family, the neighborhood, and the social group.

There are many types of informal systems, but they can be classified into two main categories: primary systems and secondary systems.

Primary systems are those which are the most basic and simplest. Examples of primary systems are the family, the neighborhood, and the social group.

Secondary systems are those which are more complex and sophisticated. Examples of secondary systems are the government, the military, and the corporation.

There are many types of secondary systems, but they can be classified into two main categories: formal systems and informal systems.

Formal systems are those which are organized in a specific manner. Examples of formal systems are the government, the military, and the corporation.

Informal systems are those which are not organized in a specific manner. Examples of informal systems are the family, the neighborhood, and the social group.

There are many types of informal systems, but they can be classified into two main categories: primary systems and secondary systems.

SYSTEMS ANALYSIS

Systems analysis is the process of identifying the components of a system and the relationships between them.

There are many types of systems analysis, but they can be classified into two main categories: qualitative systems analysis and quantitative systems analysis.

Qualitative systems analysis is the process of identifying the components of a system and the relationships between them in a non-quantitative manner.

Quantitative systems analysis is the process of identifying the components of a system and the relationships between them in a quantitative manner.

There are many types of quantitative systems analysis, but they can be classified into two main categories: formal systems analysis and informal systems analysis.

Formal systems analysis is the process of identifying the components of a system and the relationships between them in a formal manner.

Informal systems analysis is the process of identifying the components of a system and the relationships between them in an informal manner.

There are many types of informal systems analysis, but they can be classified into two main categories: primary systems analysis and secondary systems analysis.



first power contract in 1907, the municipalities in mid-western Ontario shared none of the benefits and assumed none of the liabilities incidental thereto. Similarly the agreement between the Commission and The Ontario Power Company in the same year did not affect the financial relations between the City of Ottawa and the Commission. Hence arose the necessity of keeping the cost records and individual municipal accounts, with respect to the municipalities served from a common source of power, in separate and distinct compartments.

#### No Executive Body Representing Systems

The division of the power undertakings of the Commission into systems did not affect the general executive control of the Commission or its relations with the municipalities. There is no executive body, charged with any delegated local authority, representing the group of municipalities comprising each system. Various suggestions have been made in the past looking to the establishment of local Boards of Commissioners in connection with each system, to which the Commission might delegate a certain measure of local authority, but to date such suggestions have borne little fruit. Voluntary associations, such as the Eugenia Hydro-Electric Association, have been organized, it is true, but such bodies have no legal status and have no place in the official organization of the Commission. Each municipality in every system is in direct communication with the head office of the Commission at Toronto.





"Power at Cost"

There is a popular belief expressed by the well-known phrase that the Commission distributes "power at cost on an equal basis to all". This is a fundamental conception, and within the limits of nine words probably reflects as accurately as possible the general intention of the Power Commission Act. The expression contains two distinct ideas, "at cost" and "equal basis".

The basis of determining the cost of power to any municipal corporation is set forth in Section 23 of the Act. The cost of transmission is added to the cost of power at the point of development or at the point of delivery to the Commission, but as the cost at the point of development or delivery varies with each system, the original cost of power is not the same. Similarly, the costs of transmission vary directly with the capital investment in the lines and the number of consumers among whom the annual charges in respect thereof may be apportioned. Obviously, it would be more accurate to say that the Commission distributes "power at 'system cost' on an equal basis to all".

The cost of power on the different systems shows great variations. For the year ending 31st October, 1922, the average cost of power on each of the nine systems was as follows:

Niagara	\$26.37	St. Lawrence	\$41.32
Severn	30.27	Rideau	36.20
Eugenia	42.16	Thunder Bay	25.00*
Wasdell's	44.20	Ottawa	14.00 (approx.)
Muskoka	22.09		

(\*) - \$25.00 rate charged.

CHAPTER 11

There is a definite break between the two systems. The first system is a simple one, and the second is a more complicated one. This is a fundamental principle, and it is the basis of the entire system. The first system is a simple one, and the second is a more complicated one. This is a fundamental principle, and it is the basis of the entire system. The first system is a simple one, and the second is a more complicated one. This is a fundamental principle, and it is the basis of the entire system.

The basis of determining the cost of power is the cost of the fuel. The cost of the fuel is determined by the cost of the fuel at the point of delivery to the consumer. The cost of the fuel is determined by the cost of the fuel at the point of delivery to the consumer. The cost of the fuel is determined by the cost of the fuel at the point of delivery to the consumer. The cost of the fuel is determined by the cost of the fuel at the point of delivery to the consumer. The cost of the fuel is determined by the cost of the fuel at the point of delivery to the consumer.

The cost of power on the different systems shown in the table is as follows. For the year ending 31st October, 1932, the average cost of power on each of the nine systems was as follows:

System	Cost per unit
1. ...	...
2. ...	...
3. ...	...
4. ...	...
5. ...	...
6. ...	...
7. ...	...
8. ...	...
9. ...	...



"On an equal basis to all"

Notwithstanding the difference in cost of production, transmission, etc., it is clear that so long as the bases employed in computing the cost of power on each system are the same, so long will the spirit of the Hydro-Electric movement and the Power Commission Act be fulfilled. To the extent to which these bases differ, the spirit of the Act is violated and the popular conception becomes a fallacy.

Municipalities in the northern and eastern sections of the Province have complained that they are unable to compete industrially with municipalities in the southern and western parts of the Province because of the comparatively high power rates that they are required to quote prospective industries. Referring to the table of average system power costs above, and disregarding the Muskoka System, which serves only two municipalities, and the Thunder Bay and the Ottawa Systems which serve only one municipality each, it is evident that the average cost of power on all systems, other than the Niagara System, which serves southwestern Ontario, is from \$3.90 to \$17.83, or from 15% to 67% higher than the average cost of power on the Niagara System. The answer to these complaints has been that the municipalities are charged for power at cost, as defined by Section 23 of the Act, and that the Commission has no authority to change the Act.

Our investigation has included an examination of power costs on each system, and the methods upon which the computations are made. The detailed results of this examination are set out

THE POWER BOARD ACT

1. The Board is established in order of production.

2. It is the duty of the Board to supply power to the public.

3. The Board is empowered to borrow money for the purpose of carrying out its duties.

4. The Board is empowered to make and alter its bye-laws.

5. The Board is empowered to make and alter its regulations.

6. The Board is empowered to make and alter its rules.

7. The Board is empowered to make and alter its orders.

8. The Board is empowered to make and alter its decisions.

9. The Board is empowered to make and alter its resolutions.

10. The Board is empowered to make and alter its proposals.

11. The Board is empowered to make and alter its suggestions.

12. The Board is empowered to make and alter its recommendations.

13. The Board is empowered to make and alter its reports.

14. The Board is empowered to make and alter its accounts.

15. The Board is empowered to make and alter its records.

16. The Board is empowered to make and alter its documents.

17. The Board is empowered to make and alter its correspondence.

18. The Board is empowered to make and alter its communications.

19. The Board is empowered to make and alter its information.

20. The Board is empowered to make and alter its knowledge.

21. The Board is empowered to make and alter its understanding.

22. The Board is empowered to make and alter its perception.

23. The Board is empowered to make and alter its cognition.

24. The Board is empowered to make and alter its intellect.

25. The Board is empowered to make and alter its mind.

26. The Board is empowered to make and alter its soul.

27. The Board is empowered to make and alter its spirit.

28. The Board is empowered to make and alter its body.



in the respective system reports. While generally speaking it is clear that, in the main, the bases prescribed by the Act for the apportionment of annual charges have been uniformly followed, there are certain noteworthy exceptions which have been referred to by us.

The elements entering into the cost of power are numerous. In addition to interest and sinking fund, there are the cost of line loss, the cost of generating, operating, maintaining, repairing, renewing and insuring the works. The annual adjustment and apportionment of these charges is a very complicated process. The relative importance of these elements varies on each system. So far as we have been able to ascertain, however, the charges in respect of all of these elements, with the exception of interest and sinking fund, have been uniformly applied. But interest and sinking fund sometimes represent more than two-thirds of the cost of power. For example, according to the estimates of the Commission with respect to the combined operation of the plants in the Greater Niagara System, interest will represent about 69% and sinking fund about 13% of the total cost of power at the plants located at Niagara Falls.

#### Interest

The only instance of discrimination by the Commission in the matter of interest charges which has come to our attention is in the case of interest on cash advances to defray the capital cost of the Nipigon Development in the Thunder Bay System. In this case interest was computed by the Commission on a 5 per cent. basis over a period of four years (1918-1921, inclusive), instead





of at the annual rate averaging over 6 per cent. obtaining during that period on all other systems. The Thunder Bay System would have benefited by this computation to the amount of \$71,347.41. As a matter of fact, the Government refuse to endorse the action of the Commission, and the system has recently been charged on the books of the Commission the full amount of interest during the period referred to.

### Sinking Funds

Under the general provisions of the Power Commission Act, municipalities are required to pay thirty annual sinking fund instalments, covering the last thirty years of a thirty-five-year period, as part of the cost of power, to repay the advances of the Province in respect of the cost of the works serving them. This provision of the law was followed on all systems prior to 1917; subsequent to 1917 it has been complied with on seven of the nine systems. The exceptions are the Thunder Bay System and the Niagara System.

With regard to the Thunder Bay System, a forty-year sinking fund basis was agreed upon, bona fide, between the City of Port Arthur and the Commission. The Commission's standard form of contract was altered accordingly, and the by-law and contracts were confirmed by the Legislature. It was common knowledge that the only other municipality on the system, the City of Fort William, was under contract to take power from a private company until 1926 and in view of the relatively heavy capital investment contemplated at Nipigon, it was doubtless felt that an exception to the general

of the annual rate averaging over 6 per cent, obtaining  
during 1977, based on all cases reported. The 1977 rate was  
mainly based on the 1977 rate, which was 6.1 per cent.  
The 1977 rate was 6.1 per cent, based on the 1977 rate.  
The 1977 rate was 6.1 per cent, based on the 1977 rate.  
The 1977 rate was 6.1 per cent, based on the 1977 rate.

Annual Rate

Under the present provisions of the present law, all  
municipalities are required to pay thirty annual sinking fund  
installments, starting on the first day of January of the first year  
of the term of the bond. The law provides that the sinking fund  
payments shall be made on the first day of January of each year.  
The provision of the law was followed on all systems prior to  
1977 and pursuant to 1977 it has been complied with on seven of  
the nine systems. The exceptions are the three systems which  
are under construction.

With regard to the three systems, it is noted that  
the first bond was issued upon, some time, between the City of  
Birmingham and the Commission. The Commission's standard form  
of contract was signed accordingly, and the system was constructed  
and completed by the City of Birmingham. It was noted that the  
only other municipality in the system, the City of Prattville,  
was under contract to the City of Prattville, and the system was  
constructed and completed by the City of Prattville. It was noted  
that the City of Prattville was under contract to the City of Prattville,  
and the system was constructed and completed by the City of Prattville.



rule might well be made. There is no doubt that the extension of the sinking fund period amounted to discrimination, but the discrimination was made openly, and probably under the circumstances was justified.

In authorizing the Commission to postpone the time for beginning to make contributions to the sinking fund in respect of any development for a period of five years from the date of completion of the work, the legislature apparently intended to make it possible to help out those systems where the demand for power at first did not equal the supply. The Commission, however, has given the extension not only where the supply exceeded the demand, as in the case of Nipigon, but in cases where the demand has from the beginning equalled or exceeded the supply as in the case of Queenston-Chippawa. In the latter case there would appear no reason why repayment of the borrowed money should be postponed.

The situation on the Niagara System is different. It is dealt with in detail in our report on the Niagara System. It is sufficient for this report to quote two salient paragraphs from that report:

"According to the theoretical computations of our Accountants, the amounts collected annually in respect of sinking fund from municipalities on the Greater Niagara System on the capital investment as at October 31, 1922, on the forty-year basis, or other bases employed or proposed, as set out in the summary on pages 64, 65, 66 and 67, will amount to \$1,626,449; whereas, if the total capital investment were being repaid over the thirty-five-year period, which is the longest period authorized by the Power Commission Act, the annual contribution to sinking funds from the municipalities would amount to \$2,436,300."





"The municipalities of the Greater Niagara System will, on the completion of the Queenston-Chippawa Power Development and the expiration of the deferment periods, repay into the sinking fund \$800,000 annually less than they would pay if under the p.79 Power Commission Act (on the basis of the capital investment at October 31, 1922); or, in other words, \$800,000 less than they would pay if they contributed to the sinking fund at the same rate as nearly all the municipalities in the other Hydro-Electric systems in the Province."

The extension of the sinking fund period on the Niagara System entirely upsets the fundamental equality supposed to exist among systems, which the Hydro-Electric movement contemplated. The capital investment in the Greater Niagara System represents 80% of the capital investment in all of the undertakings of the Commission. The power supply of this system is practically four times as great as the total combined loads of all other systems, and the average cost of power is from 17% to 65% lower than the cost to other systems, with the exception of that of the Ottawa and Muskoka Systems. If, then, the Commission makes an exception in the case of the Niagara System and fails to distribute "power at cost on an equal basis to all", it follows that the popular conception applies to only a relatively small proportion of the works of the Commission and that special consideration is shown to the Niagara System, which least requires it, while less prosperous systems are made to adhere strictly to the terms of the Power Commission Act.

#### Vital Importance of Efficient Administration

At the hearing held by us, in April last, on the resolution

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The attention of the clerkly staff period on the Niagara

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that would explain, under the two-factor model, why

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and the average cost of power is about 1.5 cents per kilowatt-hour.

... less than the cost to other systems, with the exception of a

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that the popular conception of life is really a religious ideal.

revision of the works of the Commission and that special com-

Information is given in two stages: first, the

THE UNITED STATES DEPARTMENT OF THE INTERIOR

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passed by the Ontario Municipal Electric Association, to which reference has already been made, and on other occasions, many opinions were expressed on the existing relations between the Commission and the municipalities, and the Government and the Commission, and also as to the constitution of the Commission itself.

As we have already pointed out, there is no direct liability on the part of the municipalities to the Province for the \$164,000,000 that it has advanced to or guaranteed for the Commission. The Province relies upon getting its money back only through the administration, on the lines which it has laid down, of the developments which have been constructed or acquired by the Commission with the moneys advanced by the Province. It is clear, therefore, that it is of vital importance to the Province that the undertakings of the Commission should be properly and efficiently administered. A bank or financial institution of any kind, which has made advances to or holds first mortgage bonds upon a great undertaking, insists upon the management and control of properties covered by them being placed in efficient hands. How much more, therefore, should the Province, which holds no bonds at all, see that the administration of the Hydro-Electric undertakings is made as efficient as possible. In the course of our investigation we have all been deeply impressed with the magnitude of the undertaking controlled by the Commission and with the immense importance of assuring the best possible administration of it.

It should be borne in mind that the Commission will have





to administer, not only developments that have cost over \$160,000,000, but future developments that may cost hundreds of millions more. In a speech delivered at Leamington on July 26th, last, the Chairman of the Commission stated that between \$300,000,000 and \$400,000,000 more might be expended by the Commission within the next five or ten years. With the present investment, by the Province, of over \$160,000,000, and a possible investment within the next ten years of \$500,000,000, there will be general agreement with the view that has been expressed to us that no personal or political considerations should be permitted to stand in the way of securing the best available men for the Commission.

**COPY**

The consensus of opinion of those who have testified before us has been that efficiency would not be increased by adding to the number of the members of the Commission, but that the work could be more effectively performed by the present than by a larger number. When the Commission was first organized the work required from the members of the Commission was comparatively small as compared with the work required from them today. At present there is enough work to keep three men busy all the time, and in our opinion the Government and Legislature might well consider whether or not hereafter the Commission should be composed of highly qualified men giving their whole time to the work; or, in other words, "full-time" men. To secure the best men, adequate salaries will have to be paid.

Mr. G. T. Clarkson, who has a most intimate knowledge of the work of the Commission, says:





"You have a Chairman who spends practically all his time at this. A man cannot get the grasp of this thing in six months. My feeling is that you ought to have at least two other men on that Commission who ought to get paid substantial amounts to give their entire time to it."

One witness suggested to us that in making appointments the Government should not overlook the staff of the Commission.

#### Continuity of Administration Desirable

While there has been general agreement among those who have testified before us that the members of the Commission should be appointed, as now, and hold office at the pleasure of the Government, the opinion has also been strongly expressed that the members of the Commission should not go out with the Government or be removed from the Commission except for cause. It has been represented to us that if the Commission were to change with the Government there could be no continuity of administration and the effect upon the undertakings placed in the charge of the Commission would be bad. The feeling that a member would cease to hold office if there were a change of Government would prevent the Government securing men of the highest quality for the Commission.

#### Government Representation on Commission

The Power Commission Act at the present time provides that one member of the Commission must be, and two members of the Commission may be, members of the Government of the day. If this provision be continued it would practically mean that one-third of the Commission would go out with the Government and two-thirds





of the Commission might go out with the Government. A provision of this kind of course limits the choice of the Government. It might be possible for a Government to have within it two men fully qualified to fill positions on the Commission; but, without disparagement to any Government it may be said that in the past the possession of qualifications to manage a great public undertaking has not been a leading factor in determining the choice of members of the Legislature, from whom members of the Government are taken. One objection to members of the Government being members of the Commission which has been pressed upon us, has been that the Government of the day is, in effect, the executive committee of the party to which its members belong. A man who is a member of the party executive in one building can hardly be expected to become non-partisan when he takes his seat on a Commission in another building. These are questions, at any rate, which may well receive consideration.

Another matter bearing upon the appointments to the Commission is that of the succession to the chairmanship. It can be said, we think, without the slightest reflection upon any of those who have been members of the Commission, that for years past there has been no one upon it who, in the event of the resignation or death of Sir Adam Beck, would have been qualified by training and experience to take the chairmanship. Is this a satisfactory state of affairs?

#### Municipalities' Desire for Closer Contact with Commission

There has been a general and strong expression, by





representatives of the municipalities who have appeared before us, of a desire for closer and more intimate contact with the Commission. That there is need for closer and more sympathetic relations has been clearly shown during our hearings. It may be that the Commission, dealing as it does with matters of great magnitude, feels that it cannot give the time that would be required to deal with small matters and so leaves them to its staff. But there are many matters that, while they may seem of small importance to the Commission, are of great importance to the municipalities that desire to bring them to the Commission's attention; and when their representatives call to present them to the Commission they do not like to be informed that, instead of seeing the Commission, they must take up their complaint, or whatever it may be, with some subordinate. Besides, the members of the Commission are trustees for them and a trustee should always be ready and willing to give an attentive hearing and the fullest information to those for whom he acts. If the members of the Commission were "full-time" men, or even as things are today, there should be ample opportunity for them to hear, without undue delay, the troubles, complaints or proposals that the municipalities might desire to lay before them. Some of the representatives of the local commissions, who testified before us, expressed the opinion that, before any development that would affect the cost of power was made in a system the local commissions directly interested should have an opportunity to be heard. It might be practicable for the Commission to set apart fixed days

representatives of the organization who have been...  
of a desire for closer and more intimate contact with the...  
Commission. That there is need for closer and more sympathetic...  
relations has been clearly shown during our investigation. It was...  
about the Commission's attitude as to how they should be treated...  
represented. These facts show that the Commission should be...  
paired to deal with small matters and to leave them to the...  
staff. For there are many matters which will not come to...  
small complaints in the Commission, and it is of great importance to...  
the Commission that they should be given the same treatment as...  
attention and that their representatives will be treated with...  
the Commission and it is not fair to be treated with...  
of seeing the Commission, they must take up their complaints...  
an attitude of respect, with some understanding. Besides, the...  
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should always be ready and willing to give an attentive hearing...  
and the fullest information to those who come to them. It is...  
members of the Commission who will find out, by word or deed...  
and today, there should be a single representative for them in each...  
without more delay, the Commission should be organized so that...  
the Commission should be able to give better service. Some of the...  
representatives of the Commission should be given the same...  
experience and opinion that, before any investigation, they should...  
effect the best of good work in a system of local organizations...  
directly interested should have an opportunity to be heard. It...  
might be possible for the Commission to set apart fixed days



for meeting representatives from the local commissions. If it were known what days were available, deputations could come at these times and the Commission could arrange its own work accordingly. There is many a grievance that would quickly disappear if complainant and Commissioners were brought face to face.

#### Consultative Meetings suggested

It has been suggested to us that something more than this is required, and that as a means of giving effect to the widespread sentiment to which we have referred, each of the systems should choose a representative and that these representatives should meet once a month at the office of the Commission at Toronto, and that at this meeting full opportunity should be given to the representatives to individually or collectively bring to the attention of the Commission anything relating to the respective systems and to discuss with the Commission any proposed developments, or any other matters that might affect the interests of the municipalities and to receive from the Commission any statement or explanations regarding its operations and plans. Such a body as that suggested to us would have no executive or administrative powers but would furnish the contact now so much desired. Without expressing any view on this suggestion, we submit it for consideration.

#### Notice of Proposed Legislation

Here it is perhaps fitting for us to refer to one complaint made before us, that is, that bills affecting the interests

for the purpose of the investigation. The fact that the investigation is being conducted by the Department of Justice is a matter of public knowledge. There is no reason to believe that the investigation is being conducted in a confidential manner. The fact that the investigation is being conducted by the Department of Justice is a matter of public knowledge. There is no reason to believe that the investigation is being conducted in a confidential manner.

Investigative Methods

It has been suggested to me that something more than this is required, and that as a means of giving effect to the widespread sentiment to which we have referred, each of the systems should choose a representative and that these representatives should meet once a month at the office of the Commission or elsewhere, and that at this meeting they should discuss the views of the representative in connection with the investigation. It is the intention of the Commission anything relating to the respective systems and to discuss with the Commission any proposed development, or any other matter that might arise. The representatives of the municipalities and to receive from the Commission any statement or explanation regarding the operations and plans. It is suggested to me that we have no executive or administrative bodies that would conduct the investigation. It is suggested to me that we have no executive or administrative bodies that would conduct the investigation.

Results of the Investigation

There is no reason to believe that the investigation is being conducted in a confidential manner. The fact that the investigation is being conducted by the Department of Justice is a matter of public knowledge. There is no reason to believe that the investigation is being conducted in a confidential manner.



of Hydro municipalities are frequently dealt with by the Legislature without any notice first being sent to these municipalities. In a statement made to us, the late Sir John Hendrie said:

"I think it is important that any Bill brought into the House regarding.... the Power Commission, or any proposed legislation, should be sent to all the municipalities that are affected thereby; ... if they disapproved they should be heard in their behalf."

The suggestion of Sir John Hendrie appears to us to be well worthy of consideration by the Government and the Legislature.

Is the Commission a "Department" of the Government?

In the debate in the Legislature on the Government Bill to establish the Power Commission, Hon. Mr. Whitney, then Premier, said of the Commission which the Bill created, that:

"It would in fact be a Department of the Government, responsible to the Government from day to day and to the people from year to year."

That there is a fundamental difference between the view expressed by Sir James Whitney and that held by Sir Adam Beck is shown by the reply made by Sir Adam Beck to a query by the Chairman of this Commission as to whether the Hydro-Electric Power Commission of Ontario was not a Department of the Government. Sir Adam said:

"You know very well that this is not a Department of the Government... It is an absolutely wrong conception that you have got. It isn't a Department of the Government."

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The Commission is appointed by the Government; the salaries of its members are fixed by the Legislature; and to a certain extent it is paid by the Government. Its members are subject to removal by the Government. Whether or not it is in name a Department of the Government is a matter of little importance. It seems clear from Sir Adam Beck's statement that in spirit, at least, it is not a Department of the Government. There is no doubt that it does, on its own initiative, many things that a Department of the Government at the Parliament buildings would not even dream of doing. The difference in viewpoint as shown by the statements of Mr. Whitney and Sir Adam Beck, respectively, has been responsible for many a clash between Government and Commission since 1906.

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Estimates Submitted lack Details

The estimates of the Commission are now submitted to the Legislature in greater detail than formerly, but there is still a striking difference between the form of the estimates submitted by the Commission and the estimates presented by the regular Departments of the Government. It has been the custom for the Commission to submit, and the Legislature to vote for the Commission, estimates in lump sums with scanty information, while in the case of the regular Departments full details are required and are given. We have already referred to many instances where appropriations have been used by the Commission for totally different purposes from those for which they were asked and voted. That full particulars of the purposes for

The estimates of the Commission are now submitted to the Legislature in greater detail than formerly, but there is still a varying difference between the form of the estimates submitted to the Legislature and the estimates presented to the Legislature. It is the duty of the Legislature to see that the estimates are correct, and the Legislature is to see that the estimates are correct, and the Legislature is to see that the estimates are correct.



which the amounts asked for are to be used should be given by the Commission, was the opinion expressed to us by Sir John Hendrie. He said:

"The estimates should be brought down by a responsible man of the Commission or a Minister representing the Commission, in detail and explained in detail to the House and brought down at the time the other Ministers' estimates are brought down; not only estimates for capital but estimates for management of the Commission."

He also stated that, in his opinion, the estimates should be submitted in as full detail as those of a Department.

Government should be Fully and Accurately Informed

The importance of having some one person at the Parliament Buildings possessing a thorough knowledge of the workings of the Commission and its operations, and who can fully and accurately inform the Government regarding them, has been pressed upon us, especially by Mr. G. T. Clarkson, the Government Auditor of the Commission's accounts. When estimates of the cost of proposed works have been submitted to the Government with the object of getting authority to proceed with them, there has been no check on the estimates to ascertain whether or not they were correct. It has been said that as the members of the Commission are appointees of the Government, the Government should be able to rely upon their estimates and that it should not be necessary to have any further check upon them; but, as the evidence shows, the Chairman of the Commission persists that the Commission is not a Department of the Government. It has been clearly shown that the Commission, if not in form, has been in fact a thing

14. The amount of the award shall be determined by the court.

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He also stated that, in his opinion, the estimates should be submitted in as full detail as those of a Department.

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apart from the Government. Its engineers are responsible to it alone. It has had its own policies and its own plans, and the object of a body that has its own policies and its own plans is to put those policies and those plans into effect. These are conditions which no one dealing with the relations between Government and Commission can afford to ignore.

No man can, with justice to himself, be at the same time both advocate and engineer. If the Commission, instead of being financed by the Province were financed by a private corporation, and estimates of a proposed development were submitted and application made for a loan thereon, the corporation would not accept the estimates of the Commission's engineers, however high their character or professional attainments might be. It would submit the estimates to its own engineers and base its action on their report. Can the Province afford to take less precautions?

With one exception, every estimate for a proposed development which has been submitted by the Commission to the Government at the time authority has been sought to begin the undertaking and which has been investigated by us, has been exceeded - some of them very largely exceeded. It is surprising what a large proportion of the total outlay of the Commission represents an outlay not contemplated by the Government when it authorized the developments. We have already given, in our report on The Ontario Power Company, a detailed analysis of the estimate for the construction of the Third Pipe Line, which was submitted by





the Commission to the Government at the time that authority to construct was applied for and the Government guarantee of the cost was sought. It was important that the Government should know what the cost would be. The estimate of the cost submitted by the Commission was \$1,806,000; the actual cost was \$3,514,876. It is quite clear that if the estimate as submitted had been analyzed by an engineer acting on behalf of the Government, it would at once have been made clear that it was inaccurate, incomplete and unreliable, and that there was no prospect whatever of the work being constructed for the amount stated. The estimate for the plant at High Falls was submitted by Sir Adam Beck to Sir William Hearst, then Premier, and authority for the Commission to proceed with the work was given. The estimate submitted was \$340,000; the cost was \$635,414. Had the Government been in a position to analyze the estimate and check cost as the work progressed it would have soon found that the estimate was being largely exceeded. Both the cases to which we have referred are insignificant by the side of the Queenston-Chippawa Development where the difference between the amount of the estimate and the cost ran into tens of millions of dollars.

Can a Government afford to do business in this way? Can it afford to authorize the construction of great development after great development each year without being fully and accurately informed? It is for the Government to say.

The Commission is in the position of an owner developing his property - not that of an engineer reporting to the Government

[illegible]



upon the soundness of a scheme or analyzing carefully the cost of the undertaking. It has a conscious or unconscious bias in favour of the scheme which it submits. The evidence taken before us points strongly to the conclusion that if the Government wishes to have a statement upon which it can rely as to the cost and soundness of an undertaking, it must get it from someone who is independent of the Commission that submits its plans for future developments to it, notwithstanding the high professional attainments of the engineering staff of the Commission.

At a meeting of the delegates to the Eastern Ontario Power Organization at Galt, in July, 1906, a delegate asked Sir Adam Beck what should be done if the estimates given by the Commission were exceeded. Sir Adam suggested a very drastic remedy. He said:

"I think we would have to appoint another Commission."

If Sir Adam's suggestion had been acted upon by the Government the membership of the Commission would have been changed long ago.

How can the Government best assure itself that the estimates submitted are sound and keep in close and accurate touch with the Commission and its operations? The members of the Government themselves are immersed in the work of their Departments and seldom, if ever, have time to study the estimates submitted by the Commission. Unless, indeed, a man possessed experience in that line of work, it would be difficult for him to pass an opinion upon estimates that would be of value. Testimony given before us shows conclusively that the presence of a member of the Government on





the Commission has at times fallen very far short indeed of keeping the Government in close touch with the Commission's work. A new member of the Government going into the Commission must have often felt like a man going into a strange land.

There is no doubt that the connection between the Government and the Commission has too often been a very loose connection. The production and selling of power is not like the selling of boots and shoes. It is complex; it takes a long time to understand it. We are told that if the Government is to keep in close touch with the work of the Commission it must have someone in its employ at the Parliament Buildings possessing a thorough knowledge of the work of the Commission and who, if the Government desired any information regarding it, would be able to give it to it or obtain it for it. An official, as described, would not necessarily have expert knowledge in any one branch of the Commission's work, but should be a man of good ability and sound judgment. Such a man, devoting his whole time to the work and to whom the Government could turn at any time for information, should soon become invaluable.

The lack of knowledge on the part of the Government of the plans and work of the Commission, the lack of accurate information as to estimates and other things, are largely responsible for the troubles of the past. It has bred mistrust, suspicion and illwill. If the relations between Government and Commission are to be placed on a sound basis, must not the Government be kept in that close and accurate touch with the Commission that has been suggested?





Mr. G. T. Clarkson, the Auditor of the Hyare accounts, whose experience makes his opinion of great value, says:

"It is awfully difficult for people immersed in Governmental duties to take these accounts and study them and get a full knowledge of these things; and I think there should be someone up there (the Parliament Buildings) who has a close knowledge of this - somebody in a Department up there - somebody who understands finances and understands law, to keep in touch with this and explain anything."

"If you have somebody at the Buildings who understands this thing and knows it thoroughly and can keep the Government informed as to the meaning of this and that, then instead of there being 'standoffishness' between the Commission and the Government, matters could be discussed in a frank way."

The character of the works undertaken by the Commission varies greatly. Some **COPY** engineers specialize in one class of work and some in another. If the Government should decide to appoint an official as suggested by Mr. Clarkson, it might consider whether he should not be authorized, when necessary, to submit any estimate or any matter in respect of which expert knowledge is required, to an engineer specially qualified to pass upon it.

We have found many instances where the estimates submitted have been largely exceeded and where there is no record of this fact having been brought to the attention of the Government and authority for the larger expenditure given. In fact, it would appear from the minutes that such conditions have seldom been brought to the attention of the Commission itself.

If money is provided to meet the estimated cost of a particular work and a progress report is furnished to the Government





each month to show in detail what has been done, what the cost has been and what has still to be done, it would be easy for one in touch with the matter to tell whether or not the estimate was being exceeded. If it were found that the estimate was being exceeded, the amount of the excess could be ascertained and the matter could forthwith be submitted to the Government for its decision as to whether or not it would advance the additional amount. If changes in the plans, that would involve additional expenditure, were proposed, the Commission should secure the sanction of the Government before carrying them out.

There is no evidence before us, and no entry in the Minutes of the Commission to show that when it has been found that estimates for any work were being largely exceeded the matter was considered by the Commission and a decision arrived at as to whether or not the work should be proceeded with. Nor is there any evidence that the Commission informed the Government when it found that the estimates it had given would be exceeded, and sought authority for further outlay.

To follow the course suggested by Mr. Clarkson is simply to do things in a businesslike way. The Commission, knowing that its expenditures would be checked in this manner, would be much more careful in preparing its estimates. As things are now, the Commission may spend far more than the estimate submitted and the Government know nothing about it until it finds itself in a position in which it has to provide the money whatever the cost may be. An official, such as suggested by Mr. Clarkson, would make





such a situation impossible.

The estimates of the Commission are frequently sent in toward the end of the Session, and then, as we have pointed out, largely in a lump sum or lump sums. It has been strongly represented to us that they should be in at least three months before the end of the Session so that there may be full opportunity to go over them; that they should be in detail just as the estimates of a Department are in detail, and that the Government should see that the money is spent for the purposes for which it is voted. We have already noted what Sir John Hendrie said on this subject.

Mr. G. T. Clarkson says:

"I feel that if these estimates with regard to each System were to come up three months instead of a few weeks before the end of the Session and there were somebody in the Buildings who knew the situation and would analyze these estimates, and the Cabinet were to sit down and discuss them, there would be ninety per cent. of this discord lacking."

When a commission gets money so freely and without detail, there is a strong tendency for it to spend money freely. Instead of the Government informing the Commission that it can provide so much money for the year, it has usually given to the Commission practically what it has asked for. Sometimes it has had no other option, for work that has been begun has had to be finished. These conditions have been bad for the Government and bad for the Commission itself.

In December, 1922, the Commission took \$216,000 from the Reserve for Renewals (or, in other words, the reserve for depreciation) and placed it to the credit of a number of municipalities,

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with a similar incident.

The estimation of the commission are frequently made in

reference to the fact of the incident, and that, as we have already seen, largely in a way that is very common. It has been already stated that the fact that they should be in the same place at the same time, and the fact that they should be in the same place at the same time, is a very common incident. It has been already stated that the fact that they should be in the same place at the same time, is a very common incident. It has been already stated that the fact that they should be in the same place at the same time, is a very common incident.

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in December, 1941, the Commission was held in the same place at the same time, is a very common incident. It has been already stated that the fact that they should be in the same place at the same time, is a very common incident. It has been already stated that the fact that they should be in the same place at the same time, is a very common incident.



most of which were owing money to the Commission and some of which had credit balances. This was done by reducing the renewal rate approximately 50 per cent., which will result in this reserve being built up in the future at only about half the rate that it has been built up in the past.

The immediate effect of making the reduction retroactive was to reduce or wipe out the deficits and to increase the credit balances. The reserve which was depleted to this extent was indirectly security for the Government, for it formed part of the Commission's assets, which, through the distribution mentioned, were reduced by this amount.

While the Statutes do not specifically provide that the Commission shall obtain the approval of the Government in respect to changes in renewal rates, it would appear that when a change is contemplated which materially affects the security of the Province, it would be desirable for the Commission to first confer with the Government and obtain its views on the matter. The change referred to was made without the matter

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ever having been brought to the attention of the Government and entirely without its knowledge. This is another illustration showing how far the Government has been from having full knowledge of the Commission's doings.

DATED AT TORONTO, *Dec. 21<sup>st</sup>* 1923

W. D. Gregory, Chairman  
M. J. Haney  
Lloyd Harris  
J. Allan Ross  
R. A. Ross

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has been taken into account in the selection of the witnesses and  
entirely without the knowledge of the Commission. This is a serious  
breach of the Commission's rules and the Commission has  
decided to take action against the witnesses.

DATED AT TORONTO, 1955

W. D. Gregory, Chairman  
M. J. Haney  
Lloyd Harris  
J. Allan Ross  
R. A. Ross

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